

Indian River County District School Board
Business Meeting Agenda
October 9, 2012 at 6:00 p.m.

It is hereby advised that if a person decides to appeal any decision made by the Board with respect to any matter considered at this meeting, he/she will need to ensure that a verbatim record is made that includes the testimony and evidence upon which the appeal is to be made.

- I. **Call Meeting to Order – Chairman Pegler**
(Announcement: Please turn off all cell phones. Cell phones, even when set to a silent mode, can cause loud disturbances within the room's audio enhancement system.)
- II. INVOCATION
- III. PLEDGE OF ALLEGIANCE TO THE FLAG AND PRESENTATION OF COLORS
BY: Vero Beach High School's Air Force Junior ROTC
- IV. ADOPTION OF AGENDA
- V. PRESENTATIONS
 - A. **2011-2012 Fred E. Rozelle Sportsmanship Award Recognition to Sebastian River High School's and Sebastian River Middle School's Athletic Programs – Dr. Adams**
- VI. CITIZEN INPUT
- VII. CONSENT AGENDA
 - A. **Approval of Minutes – Dr. Adams**
 - 1. School Board Policy Review Discussion held 9/18/2012
 - 2. Constitutional Amendments held 9/18/2012
 - 3. Information Session held 9/20/2012
 - 4. Mental Health Services Workshop held 9/25/2012
 - 5. Regular Business Meeting held 9/25/2012Superintendent recommends approval.
 - B. **Approval of Personnel Recommendations – Ms. Roberts**
Attached is a list of personnel recommendations, which includes personnel additions, terminations, and/or changes. Superintendent recommends approval.
 - C. **Approval to Dispose of Surplus Property – Mr. Morrison**
This is a request for approval to dispose of surplus property in accordance with Florida Statutes 274.05 and 274.06. The attached lists represent property to be deleted from various inventories and/or for items that have been declared surplus. After Board approval, the property will be recycled and/or auctioned. In addition, attached is a list that represents property that was recorded for building materials and improvements for the old Dodgertown Cafeteria, flammable storage building, and District owned portable

classrooms. These buildings were demolished as per the terms and conditions of the contracts for site and demo work with Summit Construction as of June 30, 2012. This request is to have the attached records deleted from the Fixed Asset Ledger pursuant to Florida Statutes 274.07 (Board Submittal). Superintendent recommends approval

D. Approval of Donations – Mr. Morrison

Wabasso School received a donation in the amount of \$1,465 from the Knights of Columbus Council #5629. The funds will be used for student needs as approved by the Principal. Superintendent recommends approval.

E. Approval of Band Trip to Indianapolis, Indiana, March 2013 – Mrs. D’Albora

This request is for out-of-state travel to Indianapolis, Indiana to participate in the 2013 Music For All National Music Festival presented by Yamaha that will be held March 14-16, 2013. Bands from Vero Beach High School, Gifford Middle School, and Sebastian River High School were selected to perform. All necessary information pertinent to insurance issues has been cleared with Risk Management. All costs are covered by fundraising and parents, with the exception of travel expenses for Principals, substitutes for teachers, and insurance. Superintendent recommends approval.

F. Approval of Gifford Middle School Band Trip to Athens, Georgia, December 2012 – Mrs. D’Albora

This request is for Gifford Middle School Band to travel out of state to University of Georgia located in Athens, Georgia to participate in the Middle School Band Festival (MidFest), hosted at the University of Georgia on December 7-9, 2012. All necessary information pertinent to insurance issues has been cleared with Risk Management. All costs are covered by fundraising and parents, with the exception of travel expenses for teacher, substitutes for teacher, and insurance. Superintendent recommends approval.

G. Approval of TEDx @IB York Conference in Toronto, Canada, November 2012 – Mrs. D’Albora

This request is for out-of-state travel to Toronto, Canada to participate in the TEDx @IB York Conference to be held at the York School in Toronto on November 14-15, 2012; where IB and TED have partnered to hold a student-focused conference similar to TED talk conferences. Students from all over the world will gather for two days, with discussions centered around the theme “Taking on the World”. Students will also have the opportunity to tour various sites of interest. Students will arrive in Toronto on November 13 and depart on November 17. All necessary information pertinent to insurance issues has been cleared with Risk Management. Students will incur the entire cost, with the exception of a few minor expenses being paid from IB funds, at approximately \$1,600. Superintendent recommends approval.

VIII. ACTION AGENDA

A. Approval of Resolution #2013-05, Tax Anticipation Notes, Series 2012 – Mr. Morrison

The purpose of this action is to adopt the attached Resolution #2013-05 authorizing the issuance of Tax Anticipation Notes (TAN), Series 2012, in the amount of \$12 million to provide interim funds for the payment of operating expenses; approve the form of documents in connection with the issuance of the notes; delegate to the Superintendent and appropriate staff the authority to accept the most favorable bid for the notes, subject to certain restrictions; and to take all necessary actions in connection with the issuance of the notes. The issuance of the TAN is required in order to provide necessary, short-term financing to position the District in such a manner that it is able to meet projected cash flow deficits of the General Fund. Based upon staff analysis, it is projected that the District will experience cash receipt deficits ranging from \$10 million to \$12 million during the month of November 2012. These cash flow deficits are mainly attributable to the intense slow-down of cash receipts from the Tax Collectors' Office that is usually experienced from July through the middle of November every year. Superintendent recommends approval

B. Approval of Release of Final Payment to Summit Construction Management for the Dodgertown HVAC Project (2011-06) – Mr. Morrison

Approval is recommended for the release of Final Payment in the amount of \$234,323.29 to Summit Construction Management for the completion of the Dodgertown HVAC Project (#2011-06). On February 8, 2011, the Board approved the Guaranteed Maximum Price (GMP) for this project in the amount of \$2,748,846.00; with the final construction cost for this project totaling \$2,736,145.59. The unused portion of the GMP, in the amount of \$12,700.41, is a savings to the District. Final payment of this project is being brought to the Board for approval in accordance with Florida Statute 1013.50. The final payment to the contractor consists of the project retainage that is held until project completion. Superintendent recommends approval.

C. Approval of Release of Partial Payment to Proctor Construction for the Vero Beach Elementary School Replacement Project (2011-07) – Mr. Morrison

Approval is recommended for release of Partial Retainage in the amount of \$306,926.68 to Proctor Construction Company for the Vero Beach Elementary School Replacement Project (#2011-07). On April 12, 2011, the Board approved the Guaranteed Maximum Price (GMP) for this project in the amount of 18,790,657.00. Retainage held to date for this project totals \$799,443.17, with a remaining balance of \$492,516.49 after approval of partial retainage payment. The remaining retainage balance will be brought to the Board at a later date, upon completion of the project as approval of

Final Payment to the contractor in accordance with Florida Statute 1013.50. Superintendent recommends approval.

D. Approval of Employers Group Waiver Plan (EGWP) – Ms. Roberts

The purpose of the Centers for Medicare and Medicaid Services' policy is to provide plan sponsors with maximum flexibility and minimum administrative burden so employers will continue to offer retirees, qualified to receive Medicare or Medicaid, a better selection of high-quality prescription drug coverage which is available worldwide. This is made possible with an Employers Group Waiver Plan (EGWP). The District, along with consultants Brown and Brown, searched for a third-party benefits administrator. The research found AMWINS that will administer the EGWP at no cost to the District. Superintendent recommends approval.

E. Approval of Contract Renewal with Learning Sciences International – Ms. Roberts

A contract with Learning Sciences International will provide year-long inter-rater reliability and professional development for all administrators through on-site and web-based opportunities for the observation of teachers using the new teacher evaluation framework. Additional training will be provided for teacher leaders to ensure fidelity in the implementation of this process. The cost to the District will be \$48,500.00 that will be paid from Race to the Top Grant Funds. Superintendent recommends approval.

F. Approval to Suspend Instructional Employee Without Pay Pending Outcome of Termination Hearing and Determine Termination Hearing Type – Ms. Roberts

The Superintendent recommends suspension without pay effective October 10, 2012, pending the outcome of a hearing of instructional employee, Alan Seiden. The grounds for this recommendation are contained in the attached charging letter. By letter dated October 2, 2012, the employee requested a hearing. Additionally, the School Board must determine if it will handle the termination hearing or send it to the Department of Administrative Hearings. Superintendent recommends approval.

G. Public Hearing and Adoption of Revisions to School Board Policy 3.40 Personnel Evaluation – Dr. Adams

On August 28, 2012, the Board moved approval to set the Public Hearing date for revisions to School Board Policy 3.40 Personnel Evaluation. The purpose of the revisions is to include an evaluation process for teachers that terminate anytime during the school year. The policy change process was followed in accordance with Florida Administrative Procedures Act, Statute Statutes, and School Board Policy #1.06. Superintendent recommends approval.

IX. SUPERINTENDENT'S REPORT

X. DISCUSSION
No discussion items.

XI. SCHOOL BOARD MEMBER MATTERS – Chairman Pegler

XII. INFORMATION AGENDA

A. Charter School Audits – Mr. Morrison

Attached are fiscal 2011/2012 Charter School Audits which are contractually due to the School Board to be submitted annually by September 20.

XIII. SUPERINTENDENT'S CLOSING

XIV. ADJOURNMENT – Chairman Pegler

Anyone who needs a special accommodation for this meeting/workshop may contact the School District's American Disabilities Act Coordinator, at 564-3060 (TTY 564-8507) at least 48 hours in advance of meeting. NOTE: Changes and amendments to the agenda can occur 72 hours prior to the meeting. All business meetings will be held in the Teacher Education Center (TEC) located in the J. A. Thompson Administrative Center at 1990 25th Street, Vero Beach, unless otherwise specified. Meetings may broadcast live on Comcast Ch. 28. The agenda can be accessed by Internet at <http://www.indianriverschools.org>.

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The Indian River County District School Board met on Tuesday, September 18, 2012, at 9:00 a.m. The discussion was held in the Teacher Education Center located at the J.A. Thompson Administrative Center, 1990 25th Street, Vero Beach, Florida. School Board Members attending were: Chairman Jeff Pegler, Vice Chairman Carol Johnson, and Board Members: Matthew McCain, Karen Disney-Brombach, and Claudia Jiménez. Dr. Frances J. Adams, Superintendent of Schools, and School Board Attorney Suzanne D'Agresta were also present.

Review of Board Policies, Discussion Session

Attended by:

Tom Young, NEOLA
Pat Corbett, NEOLA

- I. Discussion was called to order by Chairman Pegler. Chairman Pegler announced that Mrs. Johnson would take over for him when he left at 10:30 a.m.
- II. Purpose of the Discussion – Dr. Adams
Dr. Adams turned the discussion over to Ms. Roberts.
- III. Presentation – Ms. Roberts
Ms. Roberts stated that the purpose of the discussion was to review more policies, specifically the 1000, 3000, and 4000 series that dealt with Superintendent and Human Resources. She said that these policies laid out for our employees a much better guide for them when looking for their particular class of employment.

Mr. Young began by stating that School Boards do not write policies, they adopt policies. He said that what was being presented today were the Superintendent's recommendations. Mr. Young explained why it would have been difficult to present policies with markups. The Board was given a copy of the current Board Policies to cross reference with the proposed NEOLA policies. Mr. Young explained the three-step process before the policies would be brought to the Board for adoption.

Board Members and Dr. Adams were given an opportunity to ask questions and to make suggestions. The following policies would be revisited by Board Members and Superintendent: 1002 Assessment of District Goals and 1410.01 Compensation for Declared Emergency.
- IV. Adjournment – Vice Chairman Johnson
Vice Chairman Johnson announced that the workshop would end with the discussion on policies 3129 and 1129.

With no further items, the discussion adjourned at approximately 11:54 a.m.

The Indian River County District School Board met on Tuesday, September 18, 2012, at 1:00 p.m. The workshop was held in the Teacher Education Center located at the J.A. Thompson Administrative Center, 1990 25th Street, Vero Beach, Florida. School Board Members attending were: Vice Chairman Carol Johnson and Board Members: Matthew McCain, Karen Disney-Brombach, and Claudia Jiménez. Dr. Frances J. Adams, Superintendent of Schools, and School Board Attorney Suzanne D'Agresta were also present. Chairman Jeff Pegler was not present.

Constitutional Amendments on November 2012 Ballot

- I. Workshop was called to order by Vice Chairman Johnson.
- II. Purpose of the Workshop – Dr. Adams
Dr. Adams stated that the purpose of the workshop was to review the Florida Constitution Amendments on the November 2012 ballot affecting education.
- III. Discussion of Amendments – Vice Chairman Johnson
Vice Chairman Johnson turned the discussion over to Mrs. Disney-Brombach. Mrs. Disney-Brombach introduced Vern Crawford, President and Consultant at Schoolhouse Consulting Group, Inc., working with Treasure Coast School Districts on legislative issues.

Mr. Crawford began with a review of Amendments 2, 5, 6, 9, 11, and 12. He stated that the cost (impact) to implement the Amendments would not be shown on the ballot. To view the costs, he suggested that the Board refer to the EDR, Office of Economic and Demographic Research's website www.edr.state.fl.us.

Mr. Crawford reviewed the following Amendments that could affect public school funding as follows:

- Amendment 3 – State Government Revenue Limitation (Intent, in a good economy, would be to increase the portion paid by the State in order to decrease the portion paid by local tax dollars.)
- Amendment 4 – Property Tax Limitations (Refers to non-homestead property tax cap reduction from 10% to 5%. School district levies would not be affected; however, services to Cities and Counties would be affected.)
- Amendment 8 – Repeal of “No Aid” Provisions - Title on Ballot would be “Religious Freedom”. (The intent was for open school choice that would essentially have no civil rights protection, no requirement for highly-qualified teachers, and no instructions as to accountability and oversight.)
- Amendment 10 – Tangible Personal Property Tax Exemption (Exemption doubles to \$50,000 with no major effect and was not optional for Cities and Counties.)

Amendment 1 – Health Care Services (Prohibits laws or rules from compelling any person or employer to purchase, obtain, or otherwise provide for healthcare coverage. Essentially, this would prohibit implementation of the provisions of the federal Affordable Care Act.)

- IV. Summary – Vice Chairman Johnson
Board Members discussed the importance of being educated voters and how the Board could assist by holding community forums, inform employees, and provide website access.
- V. Adjournment – Vice Chairman Johnson
Vice Chairman Johnson thanked Mrs. Disney-Brombach for her involvement in the area of legislative issues affecting the School District.

With no further discussion, the workshop adjourned at approximately 2:31 p.m.

Minutes of District School Board Information Session
Held 09/20/2012

The Indian River County District School Board met on Thursday, September 20, 2012, at 9:00 a.m. The session was held at the Support Services Complex located at 6055 – 62nd Avenue, Vero Beach, Florida. School Board Members attending were: Jeffrey Pegler, Chairman; Carol Johnson, Vice Chairman; Board Members Karen Disney-Brombach, Claudia Jiménez, and Matthew McCain. Dr. Fran Adams, Superintendent, and Peggy Poysell, Executive Assistant to the Superintendent, were also present.

Note – The Board adjourned at 11:30 a.m. to attend the Chamber of Commerce Industry Appreciation Luncheon, where Vero Beach Elementary received a “green school” award for their new building. The Information Session resumed at 2:00 p.m.

Information Session Discussion

I. Call Discussion to Order – Chairman Pegler

II. Purpose of the Discussion – Chairman Pegler

The purpose of the session was for Board members and the Superintendent to discuss items of interest to the group.

III. Open Discussion

Items discussed were: accountability, department goals, orchestra program, master schedules, town hall forums, a charter school’s financial accountability, 7th period classes, business partners, Marzano teacher evaluations, leadership, communication, class size, and Sebastian River High School gym floor.

IV. Presentation – Fellsmere Elementary School Building Plan Update/Drawings

John Binkley, Architect; Carter Morrison, Assistant Superintendent for Finance; and Scott Sanders, Director of Facilities, presented an update on the plans/drawings for Fellsmere Elementary School.

V. Presentation – 2011-2012 School Grade Data Analysis

Bruce Green, Executive Director for Instructional and Information Technology, and Terri D’Albora, Assistant Superintendent for Curriculum and Instruction, presented a comparison of the Indian River County School District student data to other similar counties with a percentage of 3 and above on the FCAT.

VI. Adjournment – Chairman Pegler

The meeting adjourned at 4:20 p.m.

The Indian River County District School Board met on Tuesday, September 25, 2012, at 1:00 p.m. The workshop was held in the Teacher Education Center located at the J.A. Thompson Administrative Center, 1990 25th Street, Vero Beach, Florida. School Board Members attending were: Vice Chairman Carol Johnson, and Board Members: Matthew McCain, Karen Disney-Brombach, and Claudia Jiménez. Dr. Frances J. Adams, Superintendent of Schools, and School Board Attorney Suzanne D'Agresta were also present. Chairman Jeff Pegler was not present.

Workshop
Mental Health Services in Schools and Community

- I. Called Workshop to Order – Vice Chairman Johnson
- II. Purpose of the Workshop – Dr. Adams
Dr. Adams said that it was important to bring this information to the Board and to the community regarding services for students to remove barriers to learning.
- III. Presentation – Dr. Ferrentino
Dr. Ferrentino introduced Dr. Jamie Robison, Program Specialist for Exceptional Student Education Services, who presented what they were doing in schools and how it related to the private sector. Dr. Robison stated that educational success was what the School District was all about. He mentioned the Vision and Mission of the School District and how to accomplish that mission. Using a PowerPoint presentation, Dr. Robison reviewed barriers to learning and overcoming barriers. He gave an overview of the service delivery model: “Tier 1: Prevention for ALL; Tier 2: Early Intervention for SOME (catch it early, fix it quick); and Tier 3: Remediation for a FEW (physical and mental intensive, individualized, severe, negative behaviors requiring assistance of outside agencies). Dr. Robison stated that they always made sure that they had parent involvement, with the exception of a crisis situation.

Dr. Robison said that they could be more effective with more child psychologists in Indian River County and in the School District, and with more substance abuse programs in the County. He said that if a student was not in a public subsidy system, the student would probably not have insurance coverage for special services and would probably not receive help from outside services. Dr. Robison stated that the School District was providing all mandated services for students but could provide more if the economy was different or if the community could come forward with special project funding.

There was a discussion of redefining the roles of the Exceptional Student Education professionals. Principals were contacting them with specific needs for students. Dr. Robison said that with the move away from mandatory testing, the school psychologists were now able to work with District programs for intervention. Dr. Ferrentino stated that sharing School District psychologists

does hurt the delivery of services to students. He said that ideally there should be one school psychologist per school.

The presentation also included a list of collaborating community agencies. Trends of concern were the ages of students with emotional and behavioral needs that continued getting younger. Concerns included alternatives to suspension to keep students learning while out of the classrooms, the number of substance use and abuse among children and teens, and insufficient afterschool programming for students with emotional and behavioral problems.

Dr. Robinson said that the School District was fortunate to have a number of highly-educated and devoted personnel who were experienced working with the programming and were making a difference. He said that they would continue to look for ways to do more to meet student needs. Dr. Ferrentino mentioned their continued efforts to bring more services to the District through collaboration.

- IV. Questions – Chairman Pegler
Board Members were given an opportunity throughout the presentation to ask questions. Dr. Adams stated that the School District could not work as effectively without collaboration.
- V. ADJOURNMENT – Vice Chairman Johnson

With no further discussion, the workshop adjourned at approximately 2:59 p.m.

The Indian River County District School Board met on Tuesday, September 25, 2012, at 6:00 p.m. The business meeting was held in the Teacher Education Center located at the J.A. Thompson Administrative Center, 1990 25th Street, Vero Beach, Florida. School Board Members attending were: Vice Chairman Carol Johnson, and Board Members: Matthew McCain, Karen Disney-Brombach, and Claudia Jiménez. Dr. Frances J. Adams, Superintendent of Schools, and School Board Attorney Suzanne D'Agresta were also present. Chairman Jeff Pegler was not present.

Business Meeting

- I. Called Meeting to Order – Vice Chairman Johnson
- II. Invocation was given by Vice Chairman Johnson.
- III. PLEDGE OF ALLEGIANCE TO THE FLAG AND PRESENTATION OF COLORS
BY: Sebastian River High School's Naval Junior ROTC, under the direction of James R. O'Neal, MGySgt USMC (Ret.)
- IV. ADOPTION OF AGENDA
Vice Chairman Johnson called for a motion to adopt the Orders of the Day. Ms. Jiménez moved approval of the Orders of the Day. Mr. McCain seconded the motion and it carried unanimously, with a 4-0 vote.
- V. PRESENTATIONS
A. Education Foundation Grants Recognition to Teachers at Sebastian River High School and Treasure Coast Elementary School – Mrs. Falardeau
Mrs. Falardeau talked about the dollar-for-dollar matching grant program sponsored by the State of Florida Legislature. After raising funds from businesses, individuals, civic organizations, and foundations, the local Education Foundation aligned with Florida's 67 county-wide School Districts to access the matching funds through the Consortium of Florida Education Foundations. Mrs. Falardeau presented grants to Brian McMahon of Sebastian River High School. Mr. McMahon and the Math Department submitted a winning grant called, "Sharks Count". The \$30,000 project was funded through a grant from the John's Island Foundation. Mrs. Falardeau also presented a grant to Coletta Murray, Susan Brenton, and Lisa Durant from Treasure Coast Elementary School. Their grant titled "The Natives are Restless!" was about learning awareness of Florida vegetation and the effects on the environment.
- VI. CITIZEN INPUT
Gene Waddell requested to speak on Charter School Capital Outlay.

VII. CONSENT AGENDA

Mrs. Disney-Brombach moved approval of the Consent Agenda. Ms. Jiménez seconded the motion and it carried unanimously, with a 4-0 vote.

A. Approval of Minutes – Dr. Adams

1. 2012-2013 Capital Outlay Workshop held 9/11/2012
2. Round Table Discussion held 9/11/2012
3. Special Board Meeting held 9/11/2012
4. Regular Business Meeting held 9/11/2012

Superintendent recommended approval.

B. Approval of Personnel Recommendations – Ms. Roberts

Attached was a list of personnel recommendations, which included personnel additions, terminations, and/or changes. Superintendent recommended approval.

C. Approval of Out-of-Field Teachers Report – Ms. Roberts

Approval was recommended for the attached Out-of-Field Teachers Report for the first semester. The Report included teachers who were out-of-field for course work, not Highly Qualified, or who were out-of-field or out-of-compliance for ESOL. It was required that the Report be approved by the School Board prior to the FTE Survey period in October. A copy of the Report was available prior to the meeting. Superintendent recommended approval.

D. Approval of Donation – Mr. Morrison

Vero Beach High School received a donation of a 2005 Hyundai Elantra, valued at \$9,000 from Route 60 Hyundai. The donation was to be used as an incentive for the Positive Behavior Support Program at Vero Beach High School. It was anticipated that the title would be transferred to the student who earned it through the Positive Support Program. Superintendent recommended approval.

E. Approval of 2012-2013 Contract between East Coast Technical Assistance Center (ECTAC), Seminole County School Board, and the School Board of Indian River County – Mrs. D’Albora

The purpose of the East Coast Technical Assistance Center (ECTAC) was to assist in closing the academic achievement gap in Florida by providing technical assistance to member School Districts regarding selective programs contained in the Elementary and Secondary Education Act (ESEA). ECTAC provided educational consultation services that assisted local School Districts and high poverty schools in their efforts to ensure that all children had a fair, equal, and significant opportunity to obtain a high-quality education. The School District of Indian River County had been an ECTAC member District since 1999. The contract renewal fee was \$8,000 and Title I Part A funds were designated for ECTAC services. The contract would be in effect through June 30, 2013. Superintendent recommended approval.

F. Approval of an Additional 2012-2013 State-Approved Supplemental Education Services (SES) Provider Contract – Mrs. D’Albora

Supplemental Education Services were offered to eligible students to provide tutoring by state-approved independent contractors. Fourteen (14) SES Provider contracts were Board approved on 8/28/12. HigherSchool Publishing Company was added to the state-approved SES provider list after the 8/28/12 Board meeting. Federal TITLE I funds were set aside for this purpose at all Title I Schools. Anticipated allocation of federal funds was \$254,998.13, with no cost to the District. The TITLE I schools for the 2012-2013 school were: Citrus Elementary, Dodgertown Elementary, Fellsmere Elementary, Glendale Elementary, Highlands Elementary, Pelican Island Elementary, St. Peter’s Academy Charter, and Vero Beach Elementary. Superintendent recommended approval.

G. Approval of Renewal of Contract with Expeditionary Learning and Glendale Elementary School for the 2012-13 School Year – Mrs. D’Albora

This renewal contract outlined the agreement between Glendale Elementary and Expeditionary Learning for the 2012-2013 school year. It included onsite training, offsite professional development activities, and instructional materials/curriculum aligned with Common Core and state standards; and an Expeditionary Learning Network membership. The scope of services would cost \$44,000. Federal Title I funds were set aside for this expenditure. Superintendent recommended approval.

VIII. ACTION AGENDA

A. Approval of Membership Renewal in Greater Florida Consortium of School Boards – Chairman Pegler

Attached was an invoice for the Consortium Membership dues in the amount of \$3,000 for the 2012-2013 school year. Membership provided professional representation of Consortium Member Districts in Tallahassee on mutual legislative issues. The annual dues have not increased since 2003-2004 school year. Superintendent recommended approval.

Mrs. Disney-Brombach moved approval of membership renewal in greater Florida Consortium of School Boards. Ms. Jiménez seconded the motion and it carried unanimously, with a 4-0 vote.

B. Approval to Set Public Hearing Date for Revisions to School Board Policy 10.04 Smoking in Buildings – Dr. Adams

Second reading: On September 11, 2012, the District School Board discussed the revisions and requested to move forward with the adoption process. The purpose of the revisions was to eliminate outdated language and to specify that the policy applied to all property owned, leased, or occupied by the School System. The Public Hearing would be held during the regular Business meeting on November 13, 2012. Superintendent recommended approval.

Mr. McCain moved approval to set the public hearing date for revisions to School Board policy 10.04 Smoking in Buildings. Ms. Jiménez seconded the motion and it carried unanimously, with a 4-0 vote.

C. Approval to Extend Contract for Medical Plan Administrative Service with Blue Cross Blue Shield of Florida – Ms. Roberts

An agreement between the District and Blue Cross Blue Shield of Florida concerning Medical Plan Administrative Services took effect on July 1, 2010. Blue Cross Blue Shield of Florida agreed to extend the current administrative agreement through December 30, 2015, and to hold the administrative fee of \$50.50 per contract per month. They also agreed to provide \$225,000.00 in wellness contributions to the District through 10/1/13. Superintendent recommended approval.

Mrs. Disney-Brombach moved approval to extend the contract for medical plan administrative service with Blue Cross Blue Shield of Florida. Ms. Jiménez seconded the motion and it carried unanimously, with a 4-0 vote.

D. Approval of Five-Year Capital Improvement Program for 2013-2017 Fiscal Years – Mr. Morrison

Approval was recommended for the Five-Year Capital Improvement Program for the fiscal years 2013-2017. This was the final version of the Program that was reviewed at the Board Workshop held on September 11, 2012. Included in the packet for approval was the Capital Project Revenues and other Financing Sources Projections for the Fiscal Years 2013-2017, the Summary of the Capital Improvement Program for Fiscal Years 2013-2017, along with the Detailed Project Pages. Superintendent recommended approval.

Ms. Jiménez moved approval of the Five-Year Capital Improvement Program for 2013-2017 fiscal years. Mr. McCain seconded the motion and it carried unanimously, with a 4-0 vote.

E. Approval of 2012-2013 Five-Year District Facilities Work Plan – Mr. Morrison

Approval was recommended for the 2012-2013 Five-Year District Facilities Work Plan for the School District of Indian River County. The financial information contained in the Work Plan was based on the fiscal years 2013-2017 District's Five-Year Capital Improvement Program (as detailed in the previous agenda item). In addition, the Work Plan contained information from the Florida Inventory of School Houses (FISH), the Facilities Plant Survey, and the Florida Department of Education Cohort Projections, with the information from these sources being effective as of July 1, 2012. The 2012-2013 Five-Year District Facilities Work Plan was a requirement of the Department of Education and was due on October 1, 2012, as per State Requirements for Educational Facilities (SREF) Section 2.1. Superintendent recommended approval.

Mrs. Disney-Brombach moved approval of the 2012-2013 Five-Year District Facilities Work Plan. Mr. McCain seconded the motion and it carried with a 4-0 vote.

F. Approval of Release of Final Payment to Summit Construction Management for the Support Service Complex Project (2010-03) – Mr. Morrison

Approval was recommended for the release of final payment in the amount of \$445,050.30 to Summit Construction Management for the completion of the Support Services Complex Project (#2010-03). On July 27, 2010, the Board approved the Guaranteed Maximum Price (GMP) for this project in the amount of \$10,732,061.00; with the final construction cost for this project totaling \$10,700,135.86. The unused portion of the GMP, in the amount of \$31,925.14, was a savings to the District. Final payment of this project was being brought to the Board for approval in accordance with Florida Statute 1013.50. The final payment to the contractor consisted of the project retainage that was held until project completion. Superintendent recommended approval.

Mrs. Disney-Brombach moved approval of release of final payment to Summit Construction Management for the Support Service Complex Project 2010-03. Ms. Jiménez seconded the motion and it carried unanimously, with a 4-0 vote.

G. Approval of Utility Easement to Indian River County for Establishment of a Storm Water Reuse Treatment & Pumping system – Mr. Morrison

Approval was recommended for the attached assignment of an Easement to Indian River County located on the northeast corner of the intersection of 66th Avenue and 57th Street on School Board property as per the attached sketch and description in “Exhibit B”. The easement was necessary for the construction and operation of a Storm Water Reclamation Facility for the purpose of pumping water out of the Lateral A Canal and treatment of water by passing it through a series of filters. The water would then be treated with chlorine, enabling the water to be used as reuse water for irrigation purposes at golf courses and subdivisions. This project would, therefore, reduce the quantity of storm water and pollutants (both nitrogen and phosphorus) from discharging to the lagoon. Replacement of fresh groundwater supplies with reuse also impedes salt water intrusion into the County’s fresh groundwater resources. Proposed landscaping was depicted on “Exhibit C” of the attachment. Superintendent recommended approval.

Mr. McCain moved approval of Utility Easement to Indian River County to establish a Storm Water Reuse Treatment and Pumping System. Ms. Jiménez seconded the motion and it carried unanimously, with a 4-0 vote.

IX. SUPERINTENDENT’S REPORT

Dr. Adams announced that Vero Beach High School Photography Club received a \$5,000 grant for a stem project at Piper Aircraft, Inc. She also spoke of the information she received from Florida Association of District School Superintendents that Governor Scott had requested recommendations from School Districts in order to provide relief from some regulations to give teachers more time with their students and less time doing paperwork. Dr. Adams congratulated the District School Board on the Industry Award they received from the Indian River Chamber of Commerce for the green construction of Vero Beach Elementary School. She also reported on her first meeting with the Parent Advisory Committee and the Student Advisory Committee.

X. DISCUSSION

No discussion items

XI. SCHOOL BOARD MEMBER MATTERS – Chairman Pegler

Ms. Jiménez reported on the Mental Health Workshop. She urged everyone to stay informed and mentioned information on the website denoting the dollar impact to taxpayers. Ms. Jiménez also mentioned that the Citizen Input Form was on the meeting site and closed by saying to always thank a teacher because they work really hard.

Mrs. Disney-Brombach gave an update on legislative matters that included action taken by Congress to pass the State budget for the next two quarters with no changes from last year, and her meeting with Governor Scott.

Mrs. Johnson mentioned Mrs. Disney-Brombach's personal commitment to attend School Advisory Council meetings. She also thanked staff for their hard work and for the Workshop held today on Mental Health and for the Facilities Report listed on the Agenda.

XII. INFORMATION AGENDA

A. Monthly Facilities Report – Mr. Morrison

Report was available prior to the meeting.

XIII. SUPERINTENDENT'S CLOSING

Dr. Adams thanked staff for everything they do every day. Mrs. Disney-Brombach stated the dates for the upcoming Public Forums regarding Constitutional Amendments affecting the school system in Florida. She asked everyone to attend and to make sure they understood the Amendments. Dr. Adams stated that by February 2013, all classes must meet the Class Size Amendment. She asked parents for patience because their child may need to be moved because of the Class Size Amendment. Ms. Jiménez talked about patience needed for parents of orchestra students in regard to schedule changes.

XIV. ADJOURNMENT – Vice Chairman Johnson

With no further business, the meeting adjourned at approximately 6:38 p.m.

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CONSENT AGENDA 10/9/12

Personnel Recommendations

1. Instructional Changes
2. Instructional Leaves
 - Hudson, Laura – Storm Grove Middle, extend from 9/28/12 to 10/10/12
 - Johnson, Kathleen – Beachland, 9/18/12-~~10/4/12~~—**10/31/12**
 - Matthews, Keith – SRHS, change to 8/14/12-10/14/12**
 - McCarthy, Kathleen – Treasure Coast, 9/4/12-10/1/12
 - Mosblech, Nicole – FLC, 2/1/13-4/24/12-13
 - Myers, Chad – SRHS, 9/30/12-9/30/13
 - Wheeler, Autumn – Fellsmere, 8/14/12-~~11/4/12~~ **12/4/12**
 - Willems, Josephine – Pelican Island, 10/12/12-12/13/12**
3. Instructional Promotions
 - Andrade, Jeanice – from Highlands ESOL Teacher Assistant to Glendale Kindergarten Teacher 10/10/12**
 - Dickens, Dan – from SRHS ESE Teacher Assistant to VBHS Math Teacher 10/10/12**
4. Instructional Transfers
 - MacDonald, David – from Gifford Middle ESE Read 180 Teacher to Citrus K-3 ESE VE Teacher 10/15/12**
5. Instructional Separations
 - Banner, Tiffany – SRMS, resignation 8/14/12**
 - Benson, Nicole – Beachland, resignation 9/25/12
 - Megonigal, Jennifer – Storm Grove Middle, resignation 11/2/12
6. Instructional Employment
 - Boling, Carolyn – Substitute Teacher 10/10/12
 - Brown, Kevin – Substitute Teacher 10/10/12**
 - Carter, Rebecca – Substitute Teacher 10/10/12**
 - Ellis, Maxy Blaine - Substitute Teacher 10/10/12**
 - Fallis, Andrew – Substitute Teacher 10/10/12
 - Fox, Pamela – Substitute Teacher 10/10/12
 - Honkonen, Tracy – Oslo Middle, Long-term Substitute Reading Teacher 10/10/12**
 - Joseph, Colin – SRHS, Assistant Girls Soccer Coach, supplement only 10/10/12**
 - Kalmewicki, Miriam – Glendale, 1st/2nd Grade Teacher 10/10/12**
 - Long, Susan - Substitute Teacher 10/10/12**
 - Lynch, Lisa - Substitute Teacher 10/10/12**
 - Ogle, Cynthia- Glendale, 1st Grade Teacher 10/10/12
 - Potter, Jenna – Highlands, ESE Teacher 10/10/12**
 - Pratt, Kate - Substitute Teacher 10/10/12**
 - Rochon, Laura – Glendale, 3rd Grade Teacher 10/10/12
 - Shaw, Chantal – 21st Century After School Program, Teacher ; Substitute Teacher 10/10/12**

- Stinger, Sean – SRHS, Soccer Coach, supplement only
10/10/12**
- Thielman, Karen – Dodgertown, 4th Grade Teacher 10/10/12**
- VanAuken, Lori - Substitute Teacher 10/10/12**
7. Support Staff Changes
**Chatfield, Jenna – from Pelican Island Computer Lab Manager
to Fellsmere ESE Teacher Assistant 10/15/12**
 Verdeber, Dawn – Storm Grove, from Annual Contract to
 Continuous Employment, effective 7/25/12
8. Support Staff Leaves
 Alcaraz, Zaida – Glendale, 9/24/12-10/31/12
 Burton, Deborah – FLC, 9/25/12-11/4/12
 DeLuca, Frank – Liberty Magnet, extend to 9/30/12-10/7/12
 Gibson, Diane – Transportation, extend from 9/26/12 to 9/30/12
9. Support Staff Promotions
10. Support Staff Transfers
 Meguin, Linda – from SRMS Food Service Worker to Storm Grove
 Middle Food Service Worker 9/25/12
11. Support Staff Separations
 Alcaraz, Zaida – Glendale, resignation 10/31/12
 Beach, Holly – VBE, abandonment of position 9/27/12
**Forde, Holly – Citrus, Extended Day Coordinator, resignation
8/31/12**
 Frost, Sharon – Treasure Coast, retirement 12/21/12, pending FRS
 attestation
 Thomas, Linda Sue – Food Service, retirement 2/1/13, pending
 FRS attestation
12. Support Staff Employment
**Bradley, Raquel – SRHS, 4 hour General Food Service Worker
10/10/12**
Cooke, John – Beachland, Student Monitor 10/10/12
Hall, Lars – SRHS, Theatre Tech Student Worker 10/10/12
 Lipscomb-Vasquez, Wanda – Substitute ESOL Teacher Assistant
 10/10/12
Lowery, Leticia – Substitute Food Service Worker 10/10/12
**Martin, Susan – District CEA Collective Bargaining Team
Secretary, 2012-2013 school year**
Montgomery, Larry – Substitute Food Service Worker 10/10/12
Murano, Brian – Gifford Middle, Custodian 10/10/12
13. Administrative Separations
14. Administrative Employment
15. **Attached are revised job descriptions for Food Service
Managers. Qualifications and duties of the jobs have been
updated.**

SCHOOL DISTRICT OF INDIAN RIVER COUNTY

FOOD SERVICE MANAGER, ELEMENTARY SCHOOL

JOB DESCRIPTION

QUALIFICATIONS:

- (1) High school diploma or equivalent.
- (2) Minimum two (2) years experience in school food service **or 3 years outside food service experience.**
- (3) Experience in quantity cooking, baking and cashiering.
- (4) ~~Completion of at least five (5) food service training courses including Safety and Sanitation, Food Preparation I, Food Preparation II, Equipment Use and Care, and Nutrition.~~ **Successful completion of Serve Safe exam within one year of hire date.**
- (5) Valid Florida driver's license.
- (6) Satisfactory criminal background check and drug screening.

KNOWLEDGE, SKILLS AND ABILITIES:

~~Knowledge of planning, preparation and service of daily meals. Knowledge of food service equipment. Knowledge of nutrition, health, sanitation and safety regulations. Considerable knowledge of food values and nutrition. Ability to maintain an up-to-date inventory. Ability to requisition food and non-food supplies. Basic understanding of accounting principles. Ability to use a computer. Ability to develop and supervise a staff capable of accomplishing the objectives of the program. Ability to conduct nutrition education projects for students.~~

Extensive knowledge in the preparation of foods served in Child Nutrition Programs; of the use and care of all equipment utilized in the preparation of school meals; of all facets of operations management preferred; demonstrated leadership and management ability; skill in application of principles of personnel supervision; effective oral and written communication skills; knowledge of computer systems; ability to apply principles of Food Service, Sanitation and HACCP in daily activities; knowledge of applicable county, state and federal school food service regulations; ability to translate standards of Food and Nutrition excellence into daily operations.

REPORTS TO:

Director of Food and Nutrition Services

JOB GOAL

~~To administer the food service program at the school level in an efficient and effective manner to meet nutritional requirements for students and staff in accordance with local, state and federal requirements.~~

To provide safe, efficient, professional food and nutrition services for students through operational efficiencies, program compliance with local, state, federal requirements and review of daily food service operations at the assigned school.

SUPERVISES:

Assigned Personnel

FOOD SERVICE MANAGER, ELEMENTARY SCHOOL (Continued)**PERFORMANCE RESPONSIBILITIES:****Service Delivery**

- *(1) Successfully meet local, state and federal School Food Service Program standards.
- *(2) Cooperate with the school principal, faculty and staff in planning and utilizing the school food service program.
- *(3) Supervise food production and service to ensure that meals are nutritionally adequate, attractive and of high quality.
- *(4) Maintain accurate records for proper control of cash, food supplies and equipment.
- *(5) Train employees in proper methods of handling, preparation and serving food.
- *(6) Maintain accurate personnel records.
- *(7) Submit required reports as scheduled.
- *(8) Assume responsibility for checking that all equipment in the cafeteria is in proper working order.
- *(9) Supervise the storage and care of foods and supplies.
- *(10) Supervise the cleaning of kitchen, serving and storage areas.
- *(11) Plan work schedules and arrange for substitutes when needed.
- *(12) Attend annual manager training programs and scheduled manager meetings to ensure performance meets district standards.
- *(13) Supervise all food and non-food orders from the district and outside vendors.
- *(14) Select food and beverage items, order, stock vending machines, collect receipts and record on books.
- *(15) Provide recommendations regarding purchase of equipment.
- *(16) Collect and deposit daily receipts in bank.
- *(17) Assist faculty with nutrition education projects for students.
- *(18) Demonstrate initiative in the performance of assigned responsibilities.
- *(19) Drive department van as needed.

Inter/Intra-Agency Communication and Delivery

- *(20) Exercise a service orientation when working with others.
- *(21) Respond to inquiries and concerns in a timely manner.
- *(22) Keep supervisor informed of potential problems or unusual events.
- *(23) Provide required catering services for special functions as needed.
- *(24) Coordinate the Meals On Wheels program if required.
- *(25) Coordinate assistance to the Red Cross if the school is utilized as a shelter in the event of severe weather.
- *(26) Serve on district committees as assigned.
- *(27) Use effective, positive interpersonal communication skills.
- *(28) Work closely with district and school staffs to support school improvement initiatives and processes.

Professional Growth and Improvement

- *(29) Maintain expertise in assigned areas to fulfill project goals and objectives.
- *(30) Attend training sessions, conferences and workshops as assigned to keep abreast of current practices, programs and legal issues.
- *(31) Participate in cross-training activities as required.

Systemic Functions

FOOD SERVICE MANAGER, ELEMENTARY SCHOOL (Continued)

- *(32) Supervise assigned personnel, conduct annual performance appraisals and make recommendations for appropriate actions.
- *(33) Prepare or assist in the preparation of all required reports and maintain all appropriate records.
- *(34) Follow federal and state laws, as well as School Board policies.
- *(35) Represent the district in a positive and professional manner.
- *(36) Demonstrate support for the school district and its goals and priorities.
- *(37) Ensure adherence to good safety standards.
- *(38) Assist in interpreting statutes, Department of Education rules, and programs, policies and procedures of the district as they relate to assigned responsibilities.

Leadership and Strategic Orientation

- *(39) Assist in implementing the district's goals and strategic commitment.
- *(40) Exercise proactive leadership in promoting the vision and mission of the district.
- *(41) Set high standards and expectations and promote professional growth for self and others.
- *(42) Follow attendance, punctuality and other qualities of an appropriate work ethic.
- *(43) Maintain confidentiality regarding school/workplace matters.
- *(44) Utilize appropriate strategies and problem-solving tools to make decisions regarding planning, utilization of funds, delivery of services and evaluation of services provided.
- *(45) Demonstrate initiative in identifying potential problems or opportunities for improvement and take appropriate action.
- *(46) Use appropriate styles and methods to motivate, gain commitment and facilitate task accomplishment.
Perform other tasks consistent with the goals and objectives of this position.

*Essential Performance Responsibilities

PHYSICAL REQUIREMENTS:

Medium Work: Exerting up to 50 pounds of force occasionally, and/or up to 20 pounds of force frequently and/or up to 10 pounds of force as needed to move objects.

Job Description Supplement 09

TERMS OF EMPLOYMENT:

Confidential/Managerial Pay Grade CT01 196 days worked per year (10 months)

EVALUATION:

Performance of this job will be evaluated in accordance with provisions of the Board's policy on evaluation of personnel.

SCHOOL DISTRICT OF INDIAN RIVER COUNTY

FOOD SERVICE MANAGER, MIDDLE SCHOOL

JOB DESCRIPTION

QUALIFICATIONS:

- (1) High school diploma or equivalent.
- (2) Minimum two (2) years experience in school food service **or 3 years outside food service experience.**
- (3) Experience in quantity cooking, baking and cashiering.
- (4) ~~Completion of at least five (5) food service training courses including Safety and Sanitation, Food Preparation I, Food Preparation II, Equipment Use and Care, and Nutrition.~~ **Successful completion of Serve Safe exam within one year of hire date.**
- (5) Valid Florida driver's license.
- (6) Satisfactory criminal background check and drug screening.

KNOWLEDGE, SKILLS AND ABILITIES:

~~Knowledge of planning, preparation and service of daily meals. Knowledge of food service equipment. Knowledge of nutrition, health, sanitation and safety regulations. Considerable knowledge of food values and nutrition. Ability to maintain an up to date inventory. Ability to requisition food and non-food supplies. Basic understanding of accounting principles. Ability to use a computer. Ability to develop and supervise a staff capable of accomplishing the objectives of the program. Ability to conduct nutrition education projects for students.~~

Extensive knowledge in the preparation of foods served in Child Nutrition Programs; of the use and care of all equipment utilized in the preparation of school meals; of all facets of operations management preferred; demonstrated leadership and management ability; skill in application of principles of personnel supervision; effective oral and written communication skills; knowledge of computer systems; ability to apply principles of Food Service, Sanitation and HACCP in daily activities; knowledge of applicable county, state and federal school food service regulations; ability to translate standards of Food and Nutrition excellence into daily operations.

REPORTS TO:

Director of Food and Nutrition Services

JOB GOAL

~~To administer the food service program at the school level in an efficient and effective manner to meet nutritional requirements for students and staff in accordance with local, state and federal requirements.~~

To provide safe, efficient, professional food and nutrition services for students through operational efficiencies, program compliance with local, state, federal requirements and review of daily food service operations at the assigned school.

SUPERVISES:

Assigned Personnel

FOOD SERVICE MANAGER, MIDDLE SCHOOL (Continued)**PERFORMANCE RESPONSIBILITIES:****Service Delivery**

- * (1) Successfully meet local, state and federal School Food Service Program standards.
- * (2) Cooperate with the school principal, faculty and staff in planning and utilizing the school food service program.
- * (3) Supervise food production and service to ensure that meals are nutritionally adequate, attractive and of high quality.
- * (4) Maintain accurate records for proper control of cash, food supplies and equipment.
- * (5) Train employees in proper methods of handling, preparation and serving food.
- * (6) Maintain accurate personnel records.
- * (7) Submit required reports as scheduled.
- * (8) Assume responsibility for checking that all equipment in the cafeteria is in proper working order.
- * (9) Supervise the storage and care of foods and supplies.
- * (10) Supervise the cleaning of kitchen, serving and storage areas.
- * (11) Plan work schedules and arrange for substitutes when needed.
- * (12) Attend annual manager training programs and scheduled manager meetings to ensure performance meets district standards.
- * (13) Supervise all food and non-food orders from the district and outside vendors.
- * (14) Select food and beverage items, order, stock vending machines, collect receipts and record on books.
- * (15) Provide recommendations regarding purchase of equipment.
- * (16) Collect and deposit daily receipts in bank.
- * (17) Assist faculty with nutrition education projects for students.
- * (18) Demonstrate initiative in the performance of assigned responsibilities.
- * (19) Drive department van as needed.

Inter/Intra-Agency Communication and Delivery

- * (20) Exercise a service orientation when working with others.
- * (21) Respond to inquiries and concerns in a timely manner.
- * (22) Keep supervisor informed of potential problems or unusual events.
- * (23) Provide required catering services for special functions as needed.
- * (24) Coordinate the Meals On Wheels program if required.
- * (25) Coordinate assistance to the Red Cross if the school is utilized as a shelter in the event of severe weather.
- * (26) Serve on district committees as assigned.
- * (27) Use effective, positive interpersonal communication skills.
- * (28) Work closely with district and school staffs to support school improvement initiatives and processes.

Professional Growth and Improvement

- * (29) Maintain expertise in assigned areas to fulfill project goals and objectives.
- * (30) Attend training sessions, conferences and workshops as assigned to keep abreast of current practices, programs and legal issues.
- * (31) Participate in cross-training activities as required.

Systemic Functions

FOOD SERVICE MANAGER, MIDDLE SCHOOL (Continued)

- *(32) Supervise assigned personnel, conduct annual performance appraisals and make recommendations for appropriate actions.
- *(33) Prepare or assist in the preparation of all required reports and maintain all appropriate records.
- *(34) Follow federal and state laws, as well as School Board policies.
- *(35) Represent the district in a positive and professional manner.
- *(36) Demonstrate support for the school district and its goals and priorities.
- *(37) Ensure adherence to good safety standards.
- *(38) Assist in interpreting statutes, Department of Education rules, and programs, policies and procedures of the district as they relate to assigned responsibilities.

Leadership and Strategic Orientation

- *(39) Assist in implementing the district's goals and strategic commitment.
- *(40) Exercise proactive leadership in promoting the vision and mission of the district.
- *(41) Set high standards and expectations and promote professional growth for self and others.
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- *(45) Demonstrate initiative in identifying potential problems or opportunities for improvement and take appropriate action.
- *(46) Use appropriate styles and methods to motivate, gain commitment and facilitate task accomplishment.
Perform other tasks consistent with the goals and objectives of this position.

*Essential Performance Responsibilities

PHYSICAL REQUIREMENTS:

Medium Work: Exerting up to 50 pounds of force occasionally, and/or up to 20 pounds of force frequently and/or up to 10 pounds of force as needed to move objects.

Job Description Supplement 09

TERMS OF EMPLOYMENT:

Confidential/Managerial Pay Grade CT02 196 days worked per year (10 months)

EVALUATION:

Performance of this job will be evaluated in accordance with provisions of the Board's policy on evaluation of personnel.

SCHOOL DISTRICT OF INDIAN RIVER COUNTY

FOOD SERVICE MANAGER, HIGH SCHOOL

JOB DESCRIPTION

QUALIFICATIONS:

- (1) High school diploma or equivalent.
- (2) Minimum two (2) years experience in school food service **or 3 years outside food service experience.**
- (3) Experience in quantity cooking, baking and cashiering.
- (4) ~~Completion of at least five (5) food service training courses including Safety and Sanitation, Food Preparation I, Food Preparation II, Equipment Use and Care, and Nutrition.~~ **Successful completion of Serve Safe exam within one year of hire date.**
- (5) Valid Florida driver's license.
- (6) Satisfactory criminal background check and drug screening.

KNOWLEDGE, SKILLS AND ABILITIES:

~~Knowledge of planning, preparation and service of daily meals. Knowledge of food service equipment. Knowledge of nutrition, health, sanitation and safety regulations. Considerable knowledge of food values and nutrition. Ability to maintain an up-to-date inventory. Ability to requisition food and non-food supplies. Basic understanding of accounting principles. Ability to use a computer. Ability to develop and supervise a staff capable of accomplishing the objectives of the program. Ability to conduct nutrition education projects for students.~~

Extensive knowledge in the preparation of foods served in Child Nutrition Programs; of the use and care of all equipment utilized in the preparation of school meals; of all facets of operations management preferred; demonstrated leadership and management ability; skill in application of principles of personnel supervision; effective oral and written communication skills; knowledge of computer systems; ability to apply principles of Food Service, Sanitation and HACCP in daily activities; knowledge of applicable county, state and federal school food service regulations; ability to translate standards of Food and Nutrition excellence into daily operations.

REPORTS TO:

Director of Food and Nutrition Services

JOB GOAL

~~To administer the food service program at the school level in an efficient and effective manner to meet nutritional requirements for students and staff in accordance with local, state and federal requirements.~~

To provide safe, efficient, professional food and nutrition services for students through operational efficiencies, program compliance with local, state, federal requirements and review of daily food service operations at the assigned school.

SUPERVISES:

Assigned Personnel

FOOD SERVICE MANAGER, HIGH SCHOOL (Continued)**PERFORMANCE RESPONSIBILITIES:****Service Delivery**

- * (1) Successfully meet local, state and federal School Food Service Program standards.
- * (2) Cooperate with the school principal, faculty and staff in planning and utilizing the school food service program.
- * (3) Supervise food production and service to ensure that meals are nutritionally adequate, attractive and of high quality.
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- * (18) Demonstrate initiative in the performance of assigned responsibilities.
- * (19) Drive department van as needed.

Inter/Intra-Agency Communication and Delivery

- * (20) Exercise a service orientation when working with others.
- * (21) Respond to inquiries and concerns in a timely manner.
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Professional Growth and Improvement

- * (29) Maintain expertise in assigned areas to fulfill project goals and objectives.
- * (30) Attend training sessions, conferences and workshops as assigned to keep abreast of current practices, programs and legal issues.
- * (31) Participate in cross-training activities as required.

Systemic Functions

- * (32) Supervise assigned personnel, conduct annual performance appraisals and make recommendations for appropriate actions.

FOOD SERVICE MANAGER, HIGH SCHOOL (Continued)

- *(33) Prepare or assist in the preparation of all required reports and maintain all appropriate records.
- *(34) Follow federal and state laws, as well as School Board policies.
- *(35) Represent the district in a positive and professional manner.
- *(36) Demonstrate support for the school district and its goals and priorities.
- *(37) Ensure adherence to good safety standards.
- *(38) Assist in interpreting statutes, Department of Education rules, and programs, policies and procedures of the district as they relate to assigned responsibilities.

Leadership and Strategic Orientation

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- *(46) Use appropriate styles and methods to motivate, gain commitment and facilitate task accomplishment.
Perform other tasks consistent with the goals and objectives of this position.

*Essential Performance Responsibilities

PHYSICAL REQUIREMENTS:

Medium Work: Exerting up to 50 pounds of force occasionally, and/or up to 20 pounds of force frequently and/or up to 10 pounds of force as needed to move objects.

Job Description Supplement 09

TERMS OF EMPLOYMENT:

Confidential/Managerial Pay Grade CT03 196 days worked per year (10 months)

EVALUATION:

Performance of this job will be evaluated in accordance with provisions of the Board's policy on evaluation of personnel.

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SURPLUS PROPERTY RECORDS
EQUIPMENT TO RECYCLE - REVENUE GENERATING

ASSET	DESCRIPTION 1	DESCRIPTION 2	ACCOUNT ORIG VAL	ACCUM DEPR	CURR VAL	GL	FUND	SERIAL	ACQ	ACQ DATE	P.O.	CNTR	BDG	ROOM	DP
00071408	VIVACE	INTELLIGENT ACC	1,700.00	1,700.00	.00	1383	530	0000000000000		11/06/1997	93461	9999	00	RCY4	BD
00071409	VIVACE	INTELLIGENT ACC	1,700.00	1,700.00	.00	1383	530	0000000000000		11/06/1997	93461	9999	00	RCY4	BD
00071770	PRINTER	HP LASERJET 400	1,444.46	1,444.46	.00	1383	530	USEF110481		05/07/1998	99046	9999	RS	RCY4	00
00076137	HP LASERJET --- (T	4100TN PRINTER	1,570.43	1,570.43	.00	1383	500	USBGB01201		04/09/2001	00109445	9999	00	RCY4	
00077587	DELL POWEREDGE	2500,1.26GHZ (5,627.00	5,627.00	.00	1383	530	93Z3711		02/19/2002	00207089	9999	00	RCY4	
00078732	XEROX 4400/N	LASER PRINTER	1,330.00	1,330.00	.00	1383	530	LTD000671		10/14/2002	00303720	9999	KW	RCY4	
00079064	DELL OPTPLX GX260D	P4,1.80GHZ	1,098.00	1,098.00	.00	1383	530	8NQL021		11/08/2002	00304594	9999	00	RCY4	
00079216	DELL POWEREDGE -	2650,2.0GHZ	3,667.00	3,667.00	.00	1383	530	8C1B321		12/09/2002	00305355	9999	CL	RCY4	
00081025	OPTIPLEX GX270 2.66G	CACHE GIGABIT N	.00	.00	.00	1370	530	CJTLG41		05/28/2004	00408440	9999	00	RCY4	
00081025	OPTIPLEX GX270 2.66G	CACHE GIGABIT N	1,335.88	1,335.88	.00	1383	530	CJTLG41		05/28/2004	00408440	9999	00	RCY4	
00081027	OPTIPLEX GX270 2.66G	CACHE GIGABIT N	.00	.00	.00	1370	530	7HTLG41		05/28/2004	00408440	9999	00	RCY4	
00081027	OPTIPLEX GX270 2.66G	CACHE GIGABIT N	1,335.88	1,335.88	.00	1383	530	7HTLG41		05/28/2004	00408440	9999	00	RCY4	
00081304	HP 2300DTN ORDER # Q	BIEBER/VBHS	1,178.71	1,178.71	.00	1383	530	CNBFC18604		01/12/2004	00405946	9999	JS	RCY4	
00081683	OPTIPLEX GX280,SM MN	3.00GHZ 1M 800F	.00	.00	.00	1383	500	21RD761		01/18/2005	00505771	9999	00	RCY4	
00081683	OPTIPLEX GX280,SM MN	3.00GHZ 1M 800F	1,224.88	1,224.88	.00	1383	530	21RD761		01/18/2005	00505771	9999	00	RCY4	
00082015	EARLY CHILDHOOD COMP	17"TOUCH N PLAY	2,250.00	2,250.00	.00	1383	542	05-362-3		04/11/2005	00507645	9999	00	RCY4	ES
00082052	DELL OPTIPLEX GX280	PENTIUM 4 530/3	1,336.49	1,336.49	.00	1383	500	1T5SH71		05/16/2005	00511036	9999	JS	RCY4	TV
00082458	LATITUDE D510-PENTIU	PROCESSOR 740 W	1,226.34	1,226.34	.00	1383	500	8SYXX81		01/27/2006	00605646	9999	RM	RCY4	
00082459	LATITUDE D510-PENTIU	PROCESSOR 740 W	1,226.34	1,226.34	.00	1383	500	JRYXX81		01/27/2006	00605646	9999	BM	RCY4	
00082491	DELL OPTIPLEX GX620	2M 800 W/FLAT P	1,145.00	1,145.00	.00	1383	530	CF9N491		02/15/2006	00606174	9999	JS	RCY4	TV
00082632	TEACHER LAPTOP INTEL	740 W/14.1 XGA	1,220.00	1,220.00	.00	1383	530	7X74L91		04/17/2006	00607955	9999	LS	RCY4	
00083379	HP COLOR LASER 4700N	PRINTER	1,769.00	1,769.00	.00	1383	500	JPLLO8607		10/23/2006	00702299	9999	BM	RCY4	
00083484	HP LASER JET 4250N P	PRINTER	1,063.00	1,063.00	.00	1383	500	CNGXL04348		10/31/2006	00703501	9999	JS	RCY4	
00083668	LASER NETWORK PRINTE		1,005.00	1,005.00	.00	1383	530	CT075		09/11/2006	00700383	9999	00	RCY4	
00083669	LASER NETWORK PRINTE		1,005.00	1,005.00	.00	1383	530	CT074		09/11/2006	00700383	9999	00	RCY4	
TOTAL			25 RECORDS	36,458.41	36,458.41	0.00									

SURPLUS PROPERTY RECORDS
AUCTION ITEMS - REVENUE GENERATING

ASSET	DESCRIPTION 1	DESCRIPTION 2	ACCOUNT ORIG VAL	ACCUM DEPR	CURR VAL	GL	FUND	SERIAL	ACQ	ACQ DATE	P.O.	CNTR	BDG	ROOM	DP
00057648	REFRIDGERATOR	TRAULSEN	2,843.00	2,843.00	.00	1340	541	199317		08/08/1986	64324	9999	00	ACT4	FS
00058303	MIXER	HOBART-DOUGH	2,500.00	2,500.00	.00	1340	530	31-335785		08/07/1985	30665	9999	00	ACT4	
00058725	SLICER	BERKEL 808	1,419.00	1,419.00	.00	1340	541	915101114966		05/19/1987	73726	9999	00	ACT4	
00058777	TABLE	SECO-BAKERS TAB	1,319.00	1,319.00	.00	1340	541	N/A		06/30/1987	73732	9999	00	ACT4	FS
00061826	OVEN	CONVECTION-LOWE	2,405.50	2,405.50	.00	1340	530	0290R1768109		03/02/1990	47325	9999	00	ACT4	FS
00061827	OVEN	CONVECTION-UPPE	2,405.50	2,405.50	.00	1340	530	0290R1768110		03/02/1990	47325	9999	00	ACT4	FS
00061834	OVEN	CONVECTION-LOWE	2,405.50	2,405.50	.00	1340	530	0290R1768103		03/02/1990	47325	9999	00	ACT4	FS
00061835	OVEN	CONVECTION-UPPE	2,405.50	2,405.50	.00	1340	530	0290R1768114		03/02/1990	47325	9999	00	ACT4	FS
00061951	FOOD PROCESSOR	ANLIKER	1,735.00	1,735.00	.00	1340	530	012690J54		04/20/1990	80843	9999	00	ACT4	FS
00062794	MIXER	BERKEL-60QT	5,179.00	5,179.00	.00	1340	530	699836		04/08/1988		9999	00	ACT4	FS
00062796	OVEN	VULCAN HOTPLATE	1,800.00	1,800.00	.00	1340	530	B752310		04/08/1988		9999	00	ACT4	FS
00064031	REFRIGERATOR	DELFIELD - 3DR	2,963.97	2,963.97	.00	1340	530	216236-T		01/24/1992	95333	9999	00	ACT4	FS
00064438	CART	FWE-MOBILE FOOD	2,958.06	2,958.06	.00	1340	530	9226168		06/15/1992	95364	9999	00	ACT4	FS
00064508	MIXER	BERKEL 60 QT.	6,562.00	6,562.00	.00	1340	530	01629930		09/21/1992	04735	9999	00	ACT4	FS
00068853	OVEN	BLODGETT PROPAN	4,614.00	4,614.00	.00	1340	541	100395YA029B		11/15/1995	66629	9999	00	ACT4	FS
00070585	WORK STATION	WORKSTATION W/H	1,422.49	1,422.49	.00	1340	500			07/31/1996	73521	9999	00	ACT4	00
00072514	MIXER	HOBART MIXER 30	5,545.00	5,545.00	.00	1340	530	31-1179-821		03/31/1999	08287	9999	00	ACT4	FS
00072866	COUNTER	DELFIELD HEATED	2,834.00	2,834.00	.00	1340	530	C87383003M		07/09/1999	12427	9999	00	ACT4	FS
00072868	COUNTER	DELFIELD ALL PU	2,832.00	2,832.00	.00	1340	530	C87383004M		07/09/1999	12427	9999	00	ACT4	FS
00075056	PANASONIC PRO II	MICROWAVE OVEN	2,938.00	2,938.00	.00	1340	541	6K50220006		10/31/2000	00103777	9999	00	ACT4	FS
00075106	B-179 2001	THOMAS BUILT 71	49,050.00	44,145.00	4,905.00	1350	530	4UZ6CJAA51CG936		06/30/2000	00024328	9999	00	ACT4	
00075107	B-178 2001	THOMAS BUILT 71	49,050.00	44,145.00	4,905.00	1350	530	4UZ6CJAA31CG936		06/30/2000	00024328	9999	00	ACT4	
00075115	B-177 2001	THOMAS BUILT 71	49,050.00	44,145.00	4,905.00	1350	530	4UZ6CJAA11CG936		06/30/2000	00024328	9999	00	ACT4	
00075117	B-171 2001	THOMAS BUILT 71	49,050.00	44,145.00	4,905.00	1350	530	4UZ6CJAA61CG936		06/30/2000	00024328	9999	00	ACT4	
00075118	B-180 2001 W/HANDICA	THOMAS BUILT 71	68,562.00	61,705.80	6,856.20	1350	530	4UZAAXAK41CG937		09/25/2000	00024327	9999	00	ACT4	
00076746	B-181 2001	FREIGHTLNR/THOM	55,273.00	49,745.69	5,527.31	1350	530	4UZAAXAK12CJ501		08/20/2001	00106540	9999	00	ACT4	
00076747	B-182 2001	FREIGHTLNR/THOM	55,273.00	49,745.69	5,527.31	1350	530	4UZAAXAK72CJ493		06/30/2001	00106606	9999	00	ACT4	
00076748	B-183 2001	FREIGHTLNR/THOM	55,273.00	49,745.69	5,527.31	1350	530	4UZAAXAK32CJ493		06/30/2001	00106606	9999	00	ACT4	
00076749	B-184 2001	FREIGHTLNR/THOM	55,273.00	49,745.69	5,527.31	1350	530	4UZAAXAK52CJ493		06/30/2001	00106606	9999	00	ACT4	
00076750	B-185 2001	FREIGHTLNR/THOM	55,273.00	49,745.69	5,527.31	1350	530	4UZAAXAK72CJ493		06/30/2001	00106606	9999	00	ACT4	
00076751	B-186 2001	FREIGHTLNR/THOM	55,273.00	49,745.69	5,527.31	1350	530	4UZAAXAK92CJ493		08/20/2001	00106606	9999	00	ACT4	
00076863	HOBART--VERTICAL	CUTTER/MIXER	8,437.03	8,437.03	.00	1340	541	31-1240104		10/08/2001	00202897	9999	00	ACT4	FS
00076864	HOBART--SLICER		1,988.35	1,988.35	.00	1340	541	56-1151346		09/24/2001	00202619	9999	00	ACT4	FS
00077749	BEVERAGE-AIR	MILK COOLER	1,376.00	1,376.00	.00	1340	541	6015316		03/18/2002	00207492	9999	00	ACT4	FS
00080659	DOYON BAKING EQUIPME	MIXER 40 QT. 20	4,329.68	4,329.68	.00	1340	541	780		05/28/2004	00401795	9999	00	ACT4	FS
00080685	507-016 HEAVY DUTY G	12"BLADE '1/3HP	1,729.00	1,729.00	.00	1340	541	524426		01/12/2004	00406934	9999	00	ACT4	FS
00081631	DOYON MIXER SM-401 W	WHIP AND FLAT B	2,699.00	2,699.00	.00	1340	541	401067		01/10/2005	00504250	9999	00	ACT4	FS
00084384	O-54 35HP BRIGGS MO	W/61" VELOCITY	9,839.98	6,911.41	2,928.57	1340	530	C8200089		08/13/2007	00801185	9999	00	ACT4	GR
00084543	O-57 SCAG MOWER POWE	BRIGGS SUSP.SEA	10,159.99	6,773.33	3,386.66	1340	530	D8200029		11/30/2007	00805733	9999	00	ACT4	GR
00084782	VENDING MACHINE REIM	MEAL 5ACROSS (S	6,281.25	4,112.72	2,168.53	1340	530	120118406264		12/21/2007	00806042	9999	00	ACT4	FS
00084784	SNACK MACHINE	VENDING MACHINE	3,331.25	2,181.17	1,150.08	1340	530	120182606275		12/21/2007	00806042	9999	00	ACT4	FS
00101179	CUSTOM STAGE CURTIAN		3,615.00	3,615.00	.00	1340	530	REPLACED PR# 10		03/03/2000	00012451	9999	00	ACT4	
TOTAL			42 RECORDS	709,273.05	639,999.15	69,273.90									

* = ACCOUNT AND BASE ORIGINAL VALUES DIFFER

ASSET SUMMARY
 CONTRACT APPROVED BUILDING DEMOLISHIONS
 DODGERTOWN ELEMENTARY "OLD CAFE/FLAMABLE STORAGE"

ASSET	DESCRIPTION 1	DESCRIPTION 2	ACCOUNT ORIG VAL	ACCUM DEPR	CURR VAL	GL	FUND	SERIAL	ACQ	ACQ DATE	P.O.	CNTR	BDG	ROOM	DP
01005877	BUILDINGS & FIXED EQ	FLAM STG	455.00	200.19	254.81	1330	530			07/13/1990					
01005884	BUILDINGS & FIXED EQ	FLAM STG	50.00	21.91	28.09	1330	530			08/17/1990	52201	0000	FS	0151	00
01005938	BUILDINGS & FIXED EQ	FLAM STG-TRACTO	37.50	16.38	21.12	1330	530			09/14/1990	53102	0000	FS	0151	00
01006014	BUILDINGS & FIXED EQ	FLAM STG-CONCRE	5.50	2.39	3.11	1330	530			11/16/1990	55201	0000	FS	0151	00
01006071	BUILDINGS & FIXED EQ	FLAM STG-SUPPLI	10.92	4.68	6.24	1330	530			02/01/1991	58001	0000	FS	0151	00
01000021	PORTABLE CLASSROOMS	RELOCATEABLE CL	10,986.33	10,986.34	.01	1330	530			10/08/1973		0000	PP	0151	00
01004034	PORTABLE CLASSROOMS	RELOCATEABLE TRA	18,500.00	18,499.99	.01	1330	500			06/23/1987		0000	PP	0151	00
01005899	PORTABLE CLASSROOMS		17,100.00	17,100.00	.00	1330	530			08/31/1990	85753	0000	PP	0151	00
01005980	BUILDINGS & FIXED EQ	PORTABLE-LUMBER	431.73	187.82	243.91	1330	530			10/05/1990	87653	0000	PP	0151	00
01006069	BUILDINGS & FIXED EQ	PORTABLE-W/O PA	80.38	34.44	45.94	1330	530			02/01/1991	58002	0000	PP	0151	00
TOTAL			108 RECORDS	145,040.52	141,042.14	3,998.38									

* = ACCOUNT AND BASE ORIGINAL VALUES DIFFER

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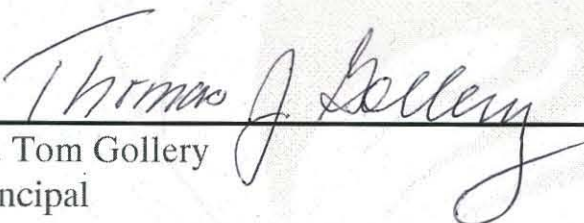
Wabasso School

8895 U. S. 1 • Sebastian, Florida 32958
Telephone: (772) 978-8000 • Fax: (772) 978-8028
Dr. Tom Gollery, Principal

Date: September 13, 2012
To: School Board Members
From: Dr. Tom Gollery
Regarding: Request for Approval of Donation

A donation of \$1,465.00 was received from the Knights of Columbus, Council # 5629. The funds are to be used for student need as approved by principal.

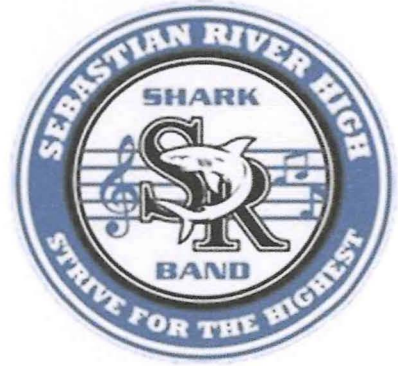
These funds were deposited into Wabasso School internal funds account entitled donations.



Dr. Tom Gollery
Principal

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By 

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August 21, 2012

Superintendent's Leadership Council:

Bands from Vero Beach High School, Gifford Middle School, and Sebastian River High School have been selected to perform along with the best bands from around the nation at the prestigious Music For All National Music Festival. These bands are requesting permission to perform in Indianapolis, Indiana March 14-16, 2013.

The Gifford Middle School Band has also been selected to perform at the Middle School Band Festival (MidFest), hosted at the University of Georgia. The band is requesting permission to travel to Athens, Georgia December 7-9, 2012 to perform at this highly respected festival as a guest band.

Sean O'Keefe
Vero Beach High School Principal

Roxanne Decker
Gifford Middle School Principal

Todd Racine
Sebastian River High School Principal

July 12, 2012

Ashby Goldstein
Gifford Middle School
4530 28th Court
Vero Beach, FL 32967



Dear Ashby,

On behalf of the Music for All staff and the Board of Directors, it is with great pleasure that we announce the acceptance of the Gifford Middle School Honor Band to perform at the **Middle School National Music Festival**, part of the **2013 Music for All National Festival presented by Yamaha**. Based on the recommendation of our distinguished listening panel of evaluators, some of the most respected music educators in the country, we are pleased to extend this acceptance and esteemed recognition to your outstanding ensemble.

Your selection to perform at the Festival recognizes that your ensemble was chosen out of an amazing pool of applicants that demonstrated a "national" caliber of musical performance and artistry. You and your students should be commended for your exemplary commitment to excellence and will have an opportunity to shine on a national stage in front of music educators, fellow student musicians and others from across the nation.

Performing at the 22nd annual Music for All National Festival is a tremendous honor that places Gifford Middle School in an extraordinary position, modeling to the world excellence in achievement and music education. We look forward to your ensemble representing your school, community and state with an exceptional performance in Indianapolis, March 14-16, 2013. Best wishes for the coming school year and we look forward to working with you leading up to and during the 2013 Music for All National Festival.

"I Believe: in music education, in music in our schools, in Music for All."

With sincere congratulations,

A handwritten signature in black ink that reads "Eric L. Martin".

Eric L. Martin

BANDS OF AMERICA & ORCHESTRA AMERICA ARE PROGRAMS OF MUSIC FOR ALL

SEBASTIAN RIVER HIGH SCHOOL

9001 Shark Boulevard • Sebastian, Florida 32958

Telephone: (772) 564-4170 • Fax: (772) 564-4182

September 10, 2012

Dr. Fran Adams, Superintendent
School District of Indian River County
1990 25th Street
Vero Beach, Florida 32960

Dear Dr. Adams,

I would like to request board approval for an IB Diploma Field Trip for Candidate Seniors to Toronto, Canada on November 13 – 17 for the TEDx @ IB York conference. The conference is a two day experience on November 14 and 15. Additionally, the group will be touring the University of Toronto, the Royal Art Museum, a second museum with an exhibit on the Inuit Indians, and some other cultural and historical visits.

This conference gathers students from all over the world for the purposes of intercultural understanding, fellowship amongst other IB program students, and an opportunity to share with the goals of TEDx. Additionally, this conference will be an avenue to explore a foreign country adding an international element to our IB program. Finally, we will be able to tour an international university speaking to admissions counselors, attending a lecture or two, and exploring the campus. As stated in IB Diploma literature, "The International Baccalaureate aims to develop inquiring, knowledgeable and caring young people who help to create a better and more peaceful world through intercultural understanding and respect." I certainly feel that this trip embraces the IB philosophy and will be beneficial to our students in their endeavors.

We will have approximately eight students attending along with IB Diploma teachers Jeff Fleckenstein, Susan Lovelace, and Brian McMahon.

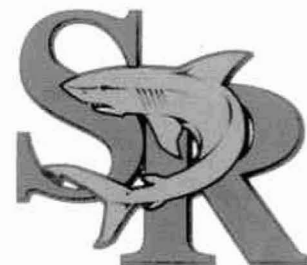
Sincerely,



Todd Racine
Principal

"You Can't Hide That Shark Pride"

Todd Racine Principal	•	Daryall Brown Assistant Principal	•	Jessica Keaton Assistant Principal	•	Kelly Ward Assistant Principal	•	William Wilson III Assistant Principal
Stephanie Cleveland Guidance Counselor	•	Kim O'Keefe Guidance Counselor	•	Wendy Palmer Guidance Counselor	•	Lynn Phillips Guidance Counselor	•	Enrique Valencia Guidance Counselor



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RESOLUTION NO. 2013-05

A RESOLUTION AUTHORIZING THE ISSUANCE OF TAX ANTICIPATION NOTES, SERIES 2012 OF THE SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA NOT EXCEEDING THE AGGREGATE PRINCIPAL AMOUNT OF \$12,000,000 TO PROVIDE INTERIM FUNDS FOR THE PAYMENT OF OPERATING EXPENSES OF THE DISTRICT; PLEDGING CERTAIN TAX RECEIPTS TO THE PAYMENT OF THE NOTES; AUTHORIZING CERTAIN REMEDIES TO THE HOLDERS OF THE NOTES AND MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING THE FORM, MATURITY DATE, AND CERTAIN PARAMETERS WITH RESPECT TO THE OTHER TERMS AND DETAILS OF THE NOTES; AUTHORIZING THE AWARDED OF SAID NOTES PURSUANT TO A PUBLIC BID; DELEGATING CERTAIN AUTHORITY TO THE SUPERINTENDENT FOR THE AWARD OF THE NOTES AND APPROVAL OF THE TERMS OF THE NOTES; APPOINTING THE PAYING AGENT AND NOTE REGISTRAR FOR SAID NOTES; AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT THERETO; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE CERTIFICATE; AUTHORIZING CERTAIN OFFICIALS OF THE BOARD TO TAKE ALL ACTIONS REQUIRED IN CONNECTION WITH THE ISSUANCE OF SAID NOTES; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Chapter 1011, Florida Statutes, as amended, and other applicable provisions of law.

SECTION 2. DEFINITIONS. The following capitalized terms shall have the following meanings herein, unless the text otherwise expressly requires:

"Act" means Chapter 1011, Florida Statutes, as amended.

"Board" means The School Board of Indian River County, Florida, the governing body of the District.

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means any date of calculation of the Cumulative Cash Flow Deficit.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate to be executed by the District on or prior to the issuance of the Notes, the form of which is attached hereto as Exhibit D.

"County" means Indian River County, Florida, a political subdivision of the State of Florida.

"Cumulative Cash Flow Deficit" means, as of any Computation Date during the Current Fiscal Year, an amount equal to:

(a) The amount the District will expend from the date of issuance of the Notes to such Computation Date for expenditures which would ordinarily be paid out of or financed by ad valorem taxes and other available Non Ad Valorem Funds, minus.

(b) The sum of the "available amounts," as defined in the Code (excluding proceeds of the Notes), whether in the form of cash, investments, or other amounts, which will be available for the payment of working capital expenditures of the type to be paid from the proceeds of the Notes without legislative or judicial action and without a legislative, judicial or contractual requirement that those amounts be reimbursed. Said amounts shall be measured from the date of issuance of the Notes to the Computation Date referred to in paragraph (a) above.

"Current Fiscal Year" means the fiscal year of the District which commenced July 1, 2012 and ends June 30, 2013.

"District" means the School District of Indian River County, Florida, created by Article IX, Section 4 of the Constitution of Florida.

"Financial Advisor" means Ford & Associates, Inc., Tampa, Florida.

"Holder" or **"Noteholder"** means the registered owner of a Note.

"Maturity Date" means the maturity date of the Notes, which date shall be no later than June 30, 2013.

"Non-Ad Valorem Funds" means all legally available funds of the District or Board derived from sources other than ad valorem taxation.

"Note" or **"Notes"** means one or more of the tax anticipation notes authorized by this Resolution in substantially the form attached as Exhibit A hereto, with such modifications as shall be approved by the Superintendent or her designee upon the advice of Note Counsel to the District, approval of such changes to be presumed by the execution thereof by the Superintendent or her designee.

"Note Counsel" means Nabors, Giblin & Nickerson, P.A., Tampa, Florida, or such other firm of attorneys having expertise in the state and federal laws applicable to the issuance of public securities and obligations.

"Note Payment Fund" means the School District of Indian River County, Florida Tax Anticipation Notes, Series 2012 Note Payment Fund created by this Resolution.

"Official Bid Proposal" means the Official Bid Proposal that complies with all of the terms and provisions of the Official Notice of Sale and which sets forth an offer to purchase the Notes at the lowest net interest cost to the District.

"Official Notice of Sale" means the Official Notice of Sale pursuant to which the Notes shall be advertised for competitive bid, which Official Notice of Sale shall be substantially in the form attached hereto as Exhibit B.

"Official Statement" means the Official Statement prepared on behalf of the District, dated the date of sale of the Notes and pertaining to the Notes, in substantially the form of the Preliminary Official Statement, a form of which is attached hereto as Exhibit C.

"Operating Budget" means the District's operating budget for the Current Fiscal Year prepared and adopted by the Board in accordance with the Act.

"Paying Agent" or **"Note Registrar"** means Hancock Bank, Orlando, Florida, its successor or assigns.

"Permitted Investments" means investments from time to time legal for District moneys pursuant to the provisions of Sections 1010.53(2) and 218.415, Florida Statutes, as amended.

"Pledged Revenues" means (a) receipts of ad valorem taxes collected by the Tax Collector of the County for the benefit of the District during the Current Fiscal Year, but only to the extent such tax receipts are levied or legally available for payment of operating expenses of the District and (b) amounts on deposit in the Note Payment Fund. "Pledged Revenues" shall not include ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40-1010.55, Florida

Statutes, or to pay the principal of and interest on any obligations issued by the District pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes.

"Preliminary Official Statement" shall mean the Preliminary Official Statement "deemed final," except for permitted omissions, in accordance with Rule 15c2-12 of the Securities and Exchange Commission and Section 17 of this Resolution, the form of which is attached hereto as Exhibit C, with such modifications as shall be approved by the Superintendent or her designee upon the advice of Note Counsel to the District, approval of such changes to be presumed by the execution thereof by the Superintendent or her designee.

"Principal Amount" shall mean not exceeding \$12,000,000, the maximum authorized aggregate principal amount of Notes issued hereunder.

"Purchaser" shall mean the underwriter or underwriters that submit(s) the Official Bid Proposal accepted by the District in accordance with the terms hereof and the Official Notice of Sale. The Purchaser shall be the initial purchaser and underwriter of the Notes.

"Record Date" shall mean the 15th day of the month (whether or not a business day) immediately preceding the Maturity Date of the Notes.

"Regulations" means the Income Tax Regulations promulgated by the Internal Revenue Service under Section 103 and Sections 141-150 of the Code of 1986.

"State" means the State of Florida.

"Superintendent" means the Superintendent of Schools of the District, Secretary to the Board, and in his or her absence or unavailability, any Deputy Superintendent of the District and such other persons who may be duly authorized to act on the Superintendent's behalf.

"Tentative Budget" means the proposed budget considered by the Board at public hearings, after due notice, for the Current Fiscal Year prior to adoption of the Operating Budget.

SECTION 3. FINDINGS. It is hereby found, determined and declared as follows:

(A) Pursuant to Section 1011.13, Florida Statutes, as amended, and other applicable provisions of law, the school board of any school district in the State of Florida is authorized to negotiate a current loan at any time the current school funds on hand are estimated to be insufficient to pay obligations created by such school board, in accordance with the applicable budget of such school district.

(B) The Board has caused to be prepared an Operating Budget reflecting the reasonable estimates of receipts and expenditures during the Current Fiscal Year.

(C) The Board, to the extent possible, has endeavored to arrange the expenditures of the District for the Current Fiscal Year so as to make it unnecessary for the District to incur loans.

(D) It is estimated based on the Tentative Budget and the Operating Budget that the school funds will be insufficient, at various times during the Current Fiscal Year, to satisfy obligations to be created by the Board in accordance with the Operating Budget of the District.

(E) It is necessary for the benefit of the schools of the District for a loan to be obtained to meet the disbursement requirements of the Operating Budget, such loan to be retired from Pledged Revenues anticipated to be received in accordance with the Operating Budget and, if necessary, from the Non-Ad Valorem Funds.

(F) The loan or loans shall be evidenced by the issuance of the Notes (or installments thereof), in the aggregate principal amount not exceeding the Principal Amount. The principal of and the interest on the Notes will be payable at maturity.

(G) The Principal Amount shall be less than 80% of the amount to be available from taxes levied by the District for operating purposes for the Current Fiscal Year.

(H) The Principal Amount does not exceed the Cumulative Cash Flow Deficit plus any reasonable working capital reserve not in excess of the amount permitted by Section 1.148-6(d)(3)(iii)(B) of the Regulations.

(I) The loan or loans, as evidenced by the Notes and computed as prescribed by Section 1011.13, Florida Statutes, as amended, will be, in the aggregate, not in excess of the amount necessary for the proper operation of the schools in the District.

(J) The Notes will be payable as to both principal and interest from the Pledged Revenues estimated in the Tentative Budget and the Operating Budget to be available, and, if necessary, are additionally payable from, but are not secured by, the Non-Ad Valorem Funds. Neither the faith and credit nor the taxing power of the State of Florida, the County, or the District are pledged to the payment of the principal of or the interest on the Notes.

(K) It is estimated that the Pledged Revenues will be sufficient to pay the principal of and interest on the Notes when due.

(L) The Superintendent has authorized Note Counsel to prepare a Preliminary Official Statement on behalf of the District, and it is necessary and desirable that the Board delegate to the Superintendent the authority to deem the Preliminary Official

Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to authorize the use of the Preliminary Official Statement and a final Official Statement in connection with the marketing and competitive sale of the Notes in accordance with the terms hereof.

(M) It is necessary and desirable that the Notes be issued in book-entry only form and that the Superintendent be authorized to make such provision and perform such acts as are necessary to provide for the issuance of the Notes in book-entry-only form.

(N) In accordance with Section 218.385, Florida Statutes, and pursuant to this Resolution, the Notes shall be advertised for competitive bids pursuant to a Summary Notice of Sale and the Official Notice of Sale, the form of which is attached hereto as Exhibit B.

(O) Pursuant to the Official Notice of Sale, competitive bids received on such date and time as is determined by the Superintendent in accordance with the terms and provisions of the Official Notice of Sale, shall be publicly opened and announced.

(P) Due to the present volatility and uncertainty of the market for tax-exempt obligations such as the Notes, it is desirable for the District to be able to advertise and award the Notes at the most advantageous time and date which shall be determined by the Superintendent; and, accordingly, the District hereby determines to delegate the advertising and awarding of the Notes to the Superintendent within the parameters described herein.

(Q) It is necessary and appropriate that the Board determine the parameters for the terms and details of the Notes and to delegate certain authority to the Superintendent for the award of the Notes and the approval of the terms of the Notes in accordance with the provisions hereof.

(R) In the event Note Counsel shall determine that the Notes have not been awarded competitively in accordance with the provisions of Section 218.385, Florida Statutes, the Board shall adopt such resolutions and make such findings as shall be necessary to authorize and ratify a negotiated sale of the Notes in accordance with said Section 218.385, Florida Statutes.

SECTION 4. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Notes authorized to be issued hereunder, this Resolution shall be deemed to be and shall constitute a contract between the District, the Board and the Holders of any Notes. The covenants and agreement herein set forth to be performed by the District and the Board shall be for the equal benefit, protection and security of the Holder of each such Note, all of which shall be of equal rank and without preference, priority or distinction of any of such Notes over any other thereof, except as expressly provided therein and herein.

SECTION 5. AUTHORIZATION, DESCRIPTION AND BOOK-ENTRY PROVISIONS OF THE NOTES. For the purpose of financing the cost of obligations incurred in the ordinary operations of the District in the Current Fiscal Year there are hereby authorized to be issued "School District of Indian River County, Florida Tax Anticipation Notes, Series 2012," in the aggregate principal amount not to exceed \$12,000,000. The exact aggregate principal amount of Notes to be issued pursuant to this Resolution shall be determined by the Superintendent in accordance with the terms of this Resolution; provided such amount shall not exceed \$12,000,000.

The Notes may be issued in one or more installments. The Notes shall be dated, shall be in denominations of \$5,000 or integral multiples thereof, as agreed to between the District and the Purchaser, shall be in fully-registered form, shall mature at such time and shall bear interest from their date until maturity, calculated on a 360-day year basis (consisting of twelve 30-day months), payable at maturity at a rate not to exceed the maximum rate allowed by law, all as provided in the Official Bid Proposal; provided that if the maturity date is not a business day, interest (and principal) on the Notes shall be paid on the next succeeding business day and payment on such day shall have the same force and effect as if made on the maturity date and no interest shall accrue for the period after the maturity date. The Notes shall not be redeemable prior to maturity.

The Notes shall initially be issued in book-entry only form. The Notes shall be registered to Cede & Co., as nominee for The Depository Trust Company ("DTC"). All payments for the principal of and interest on the Notes shall be paid in lawful money of the United States of America, by check, draft or wire transfer to DTC.

To the extent permitted by the provisions of the DTC Blanket Issuer Letter of Representations executed by the District and delivered to DTC (the "DTC Blanket Letter of Representations"), the District shall issue Notes directly to beneficial owners of Notes other than DTC, or its nominee, in the event that:

- (i) DTC determines not to continue to act as the securities depository for the Notes; or
- (ii) The Board has advised DTC of its determination that DTC is incapable of discharging its duties; or
- (iii) The Board, upon compliance with applicable DTC policies and procedures, determines that it is in the best interest of the District not to continue the book-entry system or that the interest of the beneficial owners of the Notes might be adversely affected if the book-entry system is continued.

Upon occurrence of either of the events described in clauses (i) or (iii) above (the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination) or if the Board

fails to locate another qualified securities depository to replace DTC upon occurrence of either of the events described in clauses (i) or (ii) above, the Board shall mail a notice to DTC for distribution to the beneficial owners of the Notes stating that DTC will no longer serve as securities depository, whether a new securities depository will or can be appointed, the procedures for obtaining authenticated replacement Notes and the provisions which govern the Notes including, but not limited to, provisions regarding authorized denominations, transfer and exchange, principal and interest payments and other related matters. The DTC Blanket Letter of Representations previously executed and delivered by the District shall apply with respect to the Notes.

SECTION 6. EXECUTION AND AUTHENTICATION OF NOTES.

The Notes shall be executed in the name of the District by the Chairman or Vice Chairman of the Board, and attested and countersigned by the Superintendent, as ex-officio Secretary of the Board, and the corporate seal of the District or a facsimile thereof shall be affixed thereto or reproduced thereon. The Notes may be signed and sealed on behalf of the District by any person who at the actual time of the execution of such Notes shall hold such offices in the District, although at the date of such Notes such person may not have been so authorized. The Notes may be executed by the facsimile signatures of the Chairman or Vice Chairman or Superintendent so long as the Notes bear one manual signature.

There shall be a Certificate of Authentication of the Note Registrar on the Notes, and no Note shall be valid or obligatory for any purpose or be entitled to any security or benefit under the provisions of this Resolution unless such certificate shall have been duly executed on such Notes. The authorized signature for the Note Registrar shall be either manual or in facsimile, provided, however, that at least one of the above signatures, including that of the authorized signature for the Note Registrar, appearing on the Notes shall be a manual signature.

SECTION 7. NOTES MUTILATED, DESTROYED, STOLEN OR LOST. In case any Note shall be mutilated, destroyed, stolen or lost, upon the Holder furnishing the District proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the District may prescribe and paying such expenses as the District may incur, the District shall issue and deliver a new Note of like tenor as the Note so mutilated, destroyed, stolen or lost, in lieu of or substitution for the Note, if any, destroyed, stolen or lost, or in exchange and substitution for such mutilated Note, upon surrender of such mutilated Note, if any, to the District and the cancellation thereof; provided however, if the Note shall have matured or be about to mature, instead of issuing a substitute Note, the District may pay the same, upon being indemnified as aforesaid, and if such Note be lost, stolen or destroyed, without surrender thereof. Any Note surrendered under the terms of this Section 7 shall be cancelled by the Superintendent.

Any such duplicate Note issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the District whether or not, as to duplicate Notes, the lost, stolen or destroyed Note be at any time found by anyone, and such duplicate Note shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the special funds, as hereinafter pledged, to the same extent as the other Notes issued hereunder.

SECTION 8. REGISTRATION AND TRANSFER OF NOTES. The following Section 8 is subject to the provisions of the DTC Blanket Letter of Representations.

All Notes shall be and shall have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and each successive Holder, in accepting any of the Notes, shall be conclusively deemed to have agreed that such Notes shall be and have all of said qualities and incidents of such negotiable instruments.

There shall be a Note Registrar with respect to each series or installment of Notes, which shall be the Superintendent or a bank or trust company located within or without the State of Florida with corporate trust powers. The Note Registrar initially shall be Hancock Bank, Orlando, Florida. The Note Registrar shall be responsible for maintaining the books for the registration of the transfer and exchange of the Notes.

All Notes presented for transfer, exchange or payment (if so required by the District or the Note Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the District or the Note Registrar, as the case may be, duly executed by the Holder or by his duly authorized attorney.

Upon surrender to the Note Registrar for transfer or exchange of any Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the Holder or his attorney duly authorized in writing, the Note Registrar shall deliver in the name of the Holder or the transferee or transferees, as the case may be, a new fully registered Note or Notes of authorized denominations and of the same maturity and interest rate for the aggregate principal amount which the Holder is entitled to receive.

The District and the Note Registrar may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the delivery of such Notes. The Note Registrar or the District may also require payment from the Holder or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Note shall be delivered.

New Notes delivered upon any transfer or exchange shall be valid obligations of the District, evidencing the same debt as the Notes surrendered, shall be secured under this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Notes surrendered.

The District and the Note Registrar may treat the Holder of any Note as the absolute owner thereof for all purposes, whether or not such Notes shall be overdue, and shall not be bound by any notice to the contrary. The person in whose name any Note is registered shall be deemed the Holder thereof by the District and the Note Registrar, and any notice to the contrary shall not be binding upon the District or the Note Registrar.

Whenever any Note shall be delivered to the Note Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Note shall be cancelled and destroyed by the Note Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the District.

SECTION 9. FORM OF NOTES. The text of the Notes shall be in substantially the form of Exhibit A hereto, with such variations, deletions and insertions as may be necessary and desirable, and as may be authorized or permitted by this Resolution.

SECTION 10. SECURITY FOR NOTES; SPECIAL OBLIGATIONS OF DISTRICT. To the extent necessary to pay when due the principal of and the interest on the Notes, the Pledged Revenues are irrevocably pledged to the payment of the Notes. The Notes and the interest thereon do not constitute a general obligation or indebtedness of, or a pledge of the faith and credit of, the Board, the District, the County, the State or any political subdivision or agency thereof within the meaning of any constitutional or statutory provision or limitation but shall be payable from and secured solely by a lien upon and pledge of the Pledged Revenues in the manner provided herein and therein. If necessary, Notes are additionally payable from, but are not secured by, the Non-Ad Valorem Funds of the District. The Notes and the obligations evidenced thereby shall not constitute a lien upon any property of or in the District other than the Pledged Revenues in the manner provided in this Resolution. No Holder of the Notes shall ever have the right to compel the exercise of the ad valorem taxing power of the Board, the District, the County or the State or any political subdivision or agency thereof, other than the levy, collection and application of the Pledged Revenues, for the payment of the principal of or interest on the Notes in the manner herein and in the Notes provided.

SECTION 11. NOTE PAYMENT FUND. (a) There is hereby established the "School District of Indian River County, Florida Tax Anticipation Notes, Series 2012 Note Payment Fund" (the "Note Payment Fund") to be held by the District as a separate special fund for the benefit of the Noteholders; provided that the cash required to be accounted for therein may be pooled with other funds of the District so long as adequate accounting records are maintained to reflect and control the restricted purposes of such

Note Payment Fund moneys. The Note Payment Fund shall be held in trust by the District for the sole benefit of the Holders, and the Holders are granted an express lien on the moneys and/or investments held in the Note Payment Fund. The Holders of the Notes shall have no lien upon all or any portion of the Non-Ad Valorem Funds unless and until any such funds are deposited into the Note Payment Fund. The District covenants that it shall deposit sufficient monies or Permitted Investments into the Note Payment Fund on or before March 31, 2013, April 30, 2013 and May 31, 2013, in an amount not less than an amount equal to one-third (1/3) of the principal of and interest on the Notes due on the Maturity Date, such that not later than May 31, 2013, or the first business day thereafter, the balance on deposit therein will equal the amount of principal and interest becoming due on the Notes on the Maturity Date. If, on June 1, 2013, or the first business day thereafter, and continuously thereafter, there is not on deposit in the Note Payment Fund an amount (including Permitted Investments and the income or earnings to be received thereon) equal to all principal of and interest on the Notes at maturity, the Board shall designate the Note Payment Fund as its depository for the receipt of Pledged Revenues and continue such designation until such time as the amount in the Note Payment Fund, together with the earnings to be received thereon, is equal to all principal of and interest on the Notes at maturity.

(b) All investments held in the Note Payment Fund shall mature on or prior to the Maturity Date. All such investments shall be valued for the purpose of this Section 11 at their principal amount, and interest income or earnings to be received on or prior to the date of maturity of the Notes shall be included in the Note Payment Fund balance for purposes of determining whether the requirements of this Section 11 have been met.

(c) Funds in the Note Payment Fund may be invested only in Permitted Investments. Earnings on investments held in the Note Payment Fund shall be retained and reinvested in the Note Payment Fund until the amount on deposit in the Note Payment Fund together with the earnings to be received thereon, is equal to the entire principal of and interest on the Notes at their maturity. Thereafter, such earnings may be withdrawn by the District and used in the District's discretion as provided by law except as provided in Subsection 11(d) hereof.

(d) Amounts in the Note Payment Fund, other than earnings permitted to be withdrawn by the District pursuant to Subsection 11(c) hereof, shall be applied solely to the payment of the principal of and interest on the Notes. After all such principal and interest shall have been paid, or at such time as provision for payment thereof shall have been made pursuant to Section 15 hereof, any amounts remaining in the Note Payment Fund may be used in the District's discretion as provided by law.

(e) On or prior to June 15, 2013, the District shall, if necessary, adjust the amount on deposit in the Note Payment Fund in order to ensure that sufficient funds are on deposit therein on the Maturity Date to pay the principal of and interest on the Notes in full.

SECTION 12. APPLICATION OF NOTE PROCEEDS. The proceeds of the sale of the Notes shall first be applied by the District to pay the costs of preparation and issuance of the Notes. The remaining proceeds from the sale of the Notes shall be used by the District to pay the lawful expenses of the District as the Board shall direct. The Holders of the Notes issued hereunder shall have no responsibility for the use of the proceeds of said Notes, and the use of such Note proceeds by the District shall in no way affect the rights of such Noteholders.

SECTION 13. COVENANTS OF DISTRICT AND BOARD. The Board covenants on its behalf and on behalf of the District with the Holders so long as any of the Notes are outstanding and unpaid as follows, to the extent not already performed or accomplished:

(a) to comply promptly with the Act and other applicable statutes in regard to (i) adoption of the Operating Budget, (ii) determination of the amounts necessary to be raised for current operating purposes for the Current Fiscal Year, (iii) determination of millage necessary to be levied for current operating purposes for the Current Fiscal Year, (iv) certification of such millage to the County Property Appraiser, (v) ordering the County Property Appraiser to assess such millage, and (vi) collecting the taxes paid and due to the Board from the County Tax Collector;

(b) in preparing, approving and adopting its Operating Budget controlling or providing for the expenditures of its funds, so long as any principal of or interest on the Notes are outstanding and unpaid, to appropriate, allot and approve, in the manner required by law from funds of the District derived from sources other than ad valorem taxes and legally available therefor, amounts sufficient to pay the principal of and interest on the Notes;

(c) not to issue any (i) indebtedness of any kind payable from the Pledged Revenues which indebtedness is secured by a lien upon the Pledged Revenues superior to that of the Notes, (ii) obligations (other than additional installments of Notes) payable from or secured by a lien on the moneys on deposit in the Note Payment Fund, and (iii) additional obligations having an equal lien upon the Pledged Revenues if the issuance of such additional indebtedness would violate the provisions of Section 1011.13(1), Florida Statutes, as amended. Subject to the foregoing limits, the Board may issue additional obligations (including additional installments of Notes) payable from and secured by a lien upon the Pledged Revenues on a parity with the Notes, and may issue obligations having a first lien upon moneys of the District other than the Pledged Revenues and the moneys on deposit in the Note Payment Fund;

(d) except as otherwise expressly provided herein, not to enter into any contract or other agreement and not to take any action by which the rights of any Holder might be impaired or diminished; and

(e) not to modify or amend this Resolution or any resolution amendatory hereof or supplemental hereto, unless such modification or amendment would not, in the opinion of Note Counsel, have a material adverse effect on the interests of the Holders, without the consent in writing of Holders of fifty-one percent (51%) or more in principal amount of the Notes then outstanding, provided that no modification or amendment shall permit, without the consent of all the Holders, a change (i) in the maturity of the Notes or a reduction in the rate of interest thereon, (ii) in the amount of the principal obligation evidenced by the Notes, (iii) that would affect the unconditional promise of the District to collect the ad valorem tax revenues and to make the deposits to the Note Payment Fund required herein, (iv) that would reduce the percentage of Holders required above, for modifications or amendments hereto, (v) that would affect the tax covenants of the District contained in Section 14 hereof, or (vi) that would impair the obligation of the District to pay the principal of and interest on the Notes at maturity or the remedies granted herein for the enforcement of such obligation. For the purpose of Holders' voting rights or consents, the Notes owned by or held for the account of the District, directly or indirectly, shall not be counted.

Any rating agency providing a rating for the Notes shall be notified, in writing, and supplied with a copy, of any modification, amendment or supplement to this Resolution so long as the rating assigned by such rating service is in effect.

SECTION 14. TAX COMPLIANCE. Neither the Board, the District nor any third party over whom the Board or the District has control, will make any use of the proceeds of the Notes or the Pledged Revenues at any time during the term hereof and thereof which would cause the Notes to be "private activity bonds" within the meaning of Section 103(b)(1) of the Code or "arbitrage bonds" within the meaning of Section 103(b)(2) of the Code. The Board, on behalf of the District, covenants throughout the term of the Notes, to comply with the requirements of the Code and the Regulations, as such may be amended from time to time.

SECTION 15. DEFEASANCE. If, at any time the Board shall have paid, or shall have made provision for payment of the principal of and interest on the Notes then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the holders of the Notes shall be no longer in effect and the Notes shall no longer be deemed to be outstanding and unpaid for the purposes of this Resolution. For purposes of the preceding sentence, deposit of Permitted Investments in irrevocable trust or pursuant to an irrevocable letter of instruction with the State Board of Administration of the State or with a bank or trust company with corporate trust powers for the sole benefit of the Noteholders, the principal of which, together with the earnings to be received thereon, will be sufficient to make timely payment of the principal of and interest on the Notes, shall constitute provision for payment.

SECTION 16. OFFICIAL STATEMENT; OFFICIAL NOTICE OF SALE; SALE AND AWARD OF NOTES. (a) The form of, and the distribution and delivery on behalf of the District of, the Preliminary Official Statement for the Notes, in substantially the form attached hereto as Exhibit C, and the distribution and delivery to the Purchaser of final Official Statements, substantially in the form of the Preliminary Official Statement with such changes, insertions, deletions and modifications as shall be necessary to reflect the final terms and details of the Notes, are hereby authorized and approved. The Superintendent, on behalf of the District, is hereby authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission.

(b) The form of the Official Notice of Sale attached hereto as Exhibit B and the terms and provisions thereof are hereby authorized and approved. The Superintendent, on behalf of the District, is hereby authorized to make such changes, insertions, deletions and modifications as he shall deem necessary prior to the advertisement of such Official Notice of Sale. The Superintendent is hereby authorized to advertise and publish the Official Notice of Sale or a summary thereof, at such time as he shall deem necessary and appropriate, upon the advice of the Financial Advisor, to accomplish the competitive sale of the Notes.

(c) The Superintendent, on behalf of the District and only in accordance with the terms hereof, shall award the Notes to the underwriter or underwriters that submit the bid which complies in all material respects with the Official Notice of Sale and offers to purchase the Notes at the lowest net interest cost to the District, as calculated by the Financial Advisor in accordance with the terms and provisions of the Official Notice of Sale.

SECTION 17. EXECUTION OF DOCUMENTS. The Chairman, Vice Chairman, Superintendent, ex-officio Secretary of the Board, and their designee(s) are hereby authorized to execute and deliver such documents and certificates, including the Official Statement and the Notes, in addition to those expressly authorized by this Resolution, and to take such further actions as they shall deem reasonably necessary or appropriate to effect the issuance of the Notes and the other transactions contemplated by this Resolution.

Those officers are further authorized to make or effect any election, selection, choice, consent, approval, or waiver on behalf of the District with respect to the Notes as the District is permitted or required to make or give under the federal income tax laws, for the purpose of assuring, enhancing or protecting favorable tax treatment or characterization of the Notes or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties thereon, or making payments in lieu thereof, or obviating such amounts or payments, as determined by such officer. Any such action of such officer shall be in writing and signed by the officer.

SECTION 18. NOTE REGISTRAR AND PAYING AGENT AND AGREEMENT THEREFOR. Hancock Bank, Orlando, Florida, is hereby appointed Note Registrar and Paying Agent hereunder. The Note Registrar and Paying Agent shall perform such duties as are more fully described herein and in the Notes.

The Note Registrar and Paying Agent shall fulfill the functions of Note Registrar and Paying Agent with respect to the Notes until a qualified successor shall have been designated by the District and accepted such duties, such designation to be subject to written notice to the Note Registrar and Paying Agent, or until the Notes have been paid in full pursuant to the terms hereof and of the Notes.

SECTION 19. SECONDARY MARKET DISCLOSURE. The District hereby covenants and agrees that, in order to provide for compliance by the District with the secondary market disclosure requirements of Rule 15c2-12 of the Security and Exchange Commission, as amended (the "Rule"), it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be executed by the District and dated the date of delivery of the Notes, as it may be amended from time to time in accordance with the terms thereof. The Continuing Disclosure Certificate shall be substantially in the form attached hereto as Exhibit D with such changes, amendments, modifications, deletions and additions as shall be approved by the Superintendent who is hereby authorized to execute and deliver such Certificate. Notwithstanding any other provision of this Resolution, failure of the District to comply with such Continuing Disclosure Certificate shall not be considered an event of default under this Resolution; provided, however, to the extent allowable by law, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 19 and the Continuing Disclosure Certificate.

SECTION 20. REMEDIES. Any Holder may sue to protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State or the United States of America or granted and contained in this Resolution, and to enforce and compel the performance of all duties required by this Resolution or by any applicable laws to be performed by the District, the Board or by any officer thereof, and may take all steps to enforce this Resolution to the full extent permitted or authorized by the laws of the State or the United States of America.

SECTION 21. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution and shall in no way affect the validity of all other provisions of this Resolution or of the Notes issued hereunder.

SECTION 22. REPEALING CLAUSE. All resolutions or parts thereof in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 23. EFFECTIVE DATE. This Resolution shall be effective immediately upon its adoption.

Passed and Adopted at a regular meeting this 9th day of October, 2012.

**SCHOOL DISTRICT OF INDIAN
RIVER COUNTY, FLORIDA**

(SEAL)

By: _____
Chairman, School Board of Indian
River County, Florida

ATTEST:

By: _____
Superintendent, Secretary, School Board of
Indian River County, Florida

EXHIBIT A

NO. R-_____

\$12,000,000.00

**UNITED STATES OF AMERICA
STATE OF FLORIDA
SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA
TAX ANTICIPATION NOTE, SERIES 2012**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ISSUE</u>	<u>CUSIP</u>
_____%	June 30, 2013	_____, 2012	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWELVE MILLION AND 00/100 DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that the School District of Indian River County, Florida (the "District"), for value received, hereby promises to pay to the Registered Owner on the Maturity Date set forth above the Principal Amount set forth above, upon presentation and surrender hereof at the office of Hancock Bank, Orlando, Florida, as Note Registrar and Paying Agent, plus interest from the Date of Issue at the Interest Rate set forth above on the Principal Amount set forth above until payment of said Principal Amount, such interest to be calculated on a 360-day year basis (consisting of twelve 30-day months), but solely from (a) ad valorem tax payments collected for the benefit of the District during the fiscal year of the District which commenced July 1, 2012 and ends June 30, 2013, for operating purposes (excluding certain special millage levies described in the Resolution, as defined below) and (b) amounts on deposit in the Note Payment Fund established pursuant to the Resolution (collectively the "Pledged Revenues"). This Note is additionally payable from, but is not secured by a lien upon or pledge of, the Non-Ad Valorem Funds of the District, as defined and as provided in the Resolution described below. This Note is not subject to redemption prior to maturity.

This Note is one of an authorized issue of Notes in the aggregate principal amount of \$12,000,000 designated "School District of Indian River County, Florida Tax Anticipation Notes, Series 2012," of like date, tenor and effect, issued under the authority of Chapter 1011, Florida Statutes, as amended, and other applicable provisions of law, and pursuant and subject to the terms and conditions of Resolution #2013-05 duly adopted by The School Board of Indian River County, Florida, the governing body of the District, on October 9, 2012 (the "Resolution"), to which reference should be made to

ascertain all of the terms and conditions applicable to the Notes and which by reference thereto are fully incorporated herein.

This Note and the interest hereon is a special obligation of the District payable from and secured solely by the Pledged Revenues. This Note and the interest hereon do not constitute a general obligation or indebtedness of, or a pledge of the faith and credit of, the Board, the District, Indian River County, Florida, the State of Florida, or any political subdivision or agency thereof, within the meaning of any constitutional or statutory provision or limitation but shall be payable solely from the Pledged Revenues in the manner and to the extent provided herein and in the Resolution. It is expressly agreed by the Registered Owner of this Note that such Registered Owner shall have no right to compel the exercise of the ad valorem taxing power of the Board, the District, Indian River County, Florida, the State of Florida, or any political subdivision or agency thereof, except from the Pledged Revenues, to provide for payment of principal of or interest on this Note.

It is further agreed between the District and the Holder of this Note that this Note and the obligation evidenced hereby shall not constitute a lien upon any property of or in the District, other than the Pledged Revenues, in the manner provided in the Resolution.

This Note is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities law of the State of Florida. The District and the Paying Agent may treat the registered owner of this Note as the absolute owner hereof for all purposes, whether or not this Note be overdue, and the District and the Paying Agent shall not be affected by notice to the contrary.

The District has reserved the right in the Resolution to issue additional obligations having an equal lien on the Pledged Revenues with the lien of the Notes provided certain conditions stated in the Resolution are met and to defease the lien of the Notes upon the Pledged Revenues upon making provision for payment thereof as provided in the Resolution. The District has further covenanted in the Resolution not to issue any obligations (other than additional installments of the Notes) payable from or having a lien on the moneys on deposit in the Note Payment Fund.

The Issuer has established a book-entry system of registration for the Notes. Except as specifically provided otherwise in the Resolution, an agent will hold this Note on behalf of the beneficial owner hereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owner of this Note shall be deemed to have agreed to such arrangement.

This Note may be transferred or exchanged upon the terms and conditions specified in the Resolution.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of Florida to happen, exist and be performed precedent to and in the issuance of this Note, have happened, exist and have been performed in regular and due form and time as so required.

This Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been duly executed by the Note Registrar.

IN WITNESS WHEREOF, the School District of Indian River County, Florida, acting by and through the School Board of Indian River County, Florida, has caused this Note to be manually signed by the Chairman of the School Board and attested by the Superintendent, Secretary of the School Board, and its seal to be impressed hereon, all as of the Date of Issue.

**SCHOOL DISTRICT OF INDIAN RIVER
COUNTY, FLORIDA**

(SEAL)

By: _____
Chairman, School Board of Indian River
County, Florida

ATTEST:

Superintendent, Secretary, School Board
of Indian River County, Florida

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes of the issue described in the within-mentioned Resolution.

HANCOCK BANK, as Registrar

By: _____
Authorized Signatory

Date of Authentication: _____, 2012.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by the authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to

Please insert Social Security or other Identifying Number of Assignee

(Name and Address of Assignee)

the within note and does hereby irrevocably constitute and appoint _____ as his agent to transfer the note on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Signature guaranteed:

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Note in every particular, without alteration or enlargement or change whatever and the Social Security or other identifying number of such assignee must be supplied.

(Authorized Officer)

The following abbreviations, when used in the inscription on the face of the within note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	JT TEN	- as joint tenants with right of survivorship and not as tenants in common
TEN ENT	- as tenants by the entirety	UNIF TRANS MIN ACT	- _____ (Cust.)
		Custodian for	_____ (Minor)
		under Uniform Transfers to Minors Act of	_____ (State)

Additional abbreviations may also be used though not in list above.

EXHIBIT B

FORM OF OFFICIAL NOTICE OF SALE

EXHIBIT C

FORM OF PRELIMINARY OFFICIAL STATEMENT

EXHIBIT D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

OFFICIAL NOTICE OF SALE
\$12,000,000*
SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA
TAX ANTICIPATION NOTES
SERIES 2012

ELECTRONIC BIDS via the Bidcomp Parity Competitive Bidding System (the "Parity System") in the manner described herein will be received by The School Board of Indian River County, Florida (the "Governing Body"), at the office of the School District of Indian River County, Florida (the "Issuer") in care of Mr. Carter Morrison, Assistant Superintendent for Finance/Operations, 1990 25th Street, Vero Beach, Florida 32960, telephone - (772) 564-3180; fax - (772) 564-4139 until 11:00 a.m. local time on October 23, 2012, or at such later time or date as may be determined by the Superintendent of the Issuer (the "Superintendent") and communicated through TM3 News Wire (the "Bid Date"), for the purchase of all, but not less than all, of \$12,000,000* Tax Anticipation Notes, Series 2012, of the Issuer (the "Notes") to be dated the date of delivery, in the denominations of \$5,000 or integral multiples thereof, bearing interest payable at maturity and maturing on June 30, 2013. Immediately thereafter bids will be examined by representatives of the Issuer.

The Notes shall be issued in fully registered, book-entry-only form through a program qualified with The Depository Trust Company, New York, New York ("DTC"), as depository. The Notes shall be registered in the name of Cede & Co., as nominee for DTC, and shall be payable with respect to both principal and interest by [Hancock Bank, Orlando, Florida], as Registrar and Paying Agent, directly to such registered owner.

The Notes will not be redeemable prior to their stated date of maturity.

PURPOSE

The Notes will be issued for the purpose of temporarily financing part of the operating costs of the Issuer for its current fiscal year.

AUTHORITY

The Notes will be issued under the authority of Chapter 1011, Florida Statutes, as amended, pursuant to and subject to the terms and conditions of Resolution #2013-05 adopted by the Governing Body of the Issuer on October 9, 2012.

*Preliminary, subject to change.

SECURITY FOR NOTES

The Notes will be special obligations of the Issuer, payable from and secured by the ad valorem tax payments collected for operating purposes of the Issuer during its fiscal year ending June 30, 2013 (excluding ad valorem taxes collected to pay the principal of and interest on any bonds of the Issuer authorized and issued pursuant to Sections 1010.40-1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the Governing Body pursuant to Section 1011.14, Florida Statutes or otherwise levied pursuant to Section 1011.71(2), Florida Statutes) (collectively, the "Pledged Revenues"); and, if necessary, will be additionally payable from, but will not be secured by, all legally available funds of the Issuer derived from sources other than ad valorem taxation (the "Non-Ad Valorem Funds"), the enforceability of all of which will be subject to bankruptcy laws and other laws affecting creditors' rights, and the exercise of judicial discretion.

INTEREST RATE AND BIDDING DETAILS

Bidders shall specify a rate of interest (computed on a 360-day year basis consisting of twelve 30-day months) in a multiple of 1/20 of 1% per annum.

No bid for less than all of the Notes offered, or for less than 100% of the par value thereof will be considered. Award of the Notes will be made to the bidder whose bid offers the lowest net interest cost to the Issuer, such lowest net interest cost to be determined by the Financial Advisor to the Issuer by taking the aggregate amount of interest at the fixed rate specified in the bid, computed from November 4, 2011 (the assumed closing date) to the stated maturity date of the Notes, and subtracting therefrom the amount of any premium bid. Award of the Notes will be made on the same day bids are received. If two or more bids offer the same net interest cost, the Notes will be awarded to the bidder who submitted the earliest bid among those bids bearing the same net interest cost.

The Issuer reserves the right to reject any and all bids, to waive any informality in any bid, to take any action adjourning or postponing the sale of the Notes or to take any other action the Governing Body may deem to be in the best interest of the Issuer.

PROCEDURES FOR BIDDING

Electronic Bidding Procedure

Bidders must submit bids by the Parity System. Subscription to the Parity System is required in order to submit an electronic bid. The Issuer will neither confirm any subscriptions nor be responsible for any failure of a prospective bidder to subscribe.

Additional information concerning bidding through the Parity System may be directed to Parity Customer Service at (212) 849-5021.

If the Issuer selects a winning bid, then the successful bidder must submit a "Good Faith Deposit" (the "Deposit") to the Issuer in the form of a wire transfer in the amount of [\$120,000] not later than 2:00 p.m., Eastern Time on the business day following the award. See " - *Submission of Deposit*" below.

Disclaimer

Each prospective electronic bidder shall be solely responsible for submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Issuer nor the Parity System shall have any duty or obligation to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Issuer nor the Parity System shall be responsible for a bidder's failure to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, the Parity System. The Issuer is using the Parity System as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Notes. The Issuer is not bound by any advice and determination of the Parity System to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via the Parity System are the sole responsibility of the bidders; and the Issuer is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Notes, he should immediately telephone Parity Customer Service at (212) 849-5021 and notify the Issuer's Financial Advisor, Jerry W. Ford at Ford & Associates at (813) 874-6621.

Submission of Electronic Bids

The Issuer will accept electronic bids only. Electronic bids must be submitted for the purchase of all or none of the Notes via the Parity System to the Parity System terminal in the office of the Chief Financial Officer, at 11:00 a.m., local time, on October 23, 2012, unless postponed as described herein. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Notes or (3) withdraw its proposed bid. Once the bids are communicated electronically via Parity System to the Issuer care of the Chief Financial Officer, each bid will constitute an irrevocable offer to purchase the Notes on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity System shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the

Issuer, represented by the rate or rates of interest and the bid price specified in their respective bids.

Submission of Non-Electronic Bids Prohibited

The Issuer will not accept non-electronic bids.

Submission of Deposit

If the Issuer selects a winning bid, then such successful bidder is required to submit its Deposit to the Issuer in the form of a wire transfer not later than 2:00 p.m., local time on the business day following the award. The Deposit of the successful bidder will be collected and the proceeds thereof retained by the Issuer to be applied as partial payment for the Notes and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the bid, the proceeds thereof will be retained as and for full liquidated damages.

Notwithstanding anything herein to the contrary, the Issuer will not accept any bids and will not issue the Notes unless the Notes satisfy the preconditions for issuance of the Notes established by the Resolution.

Amendment of Notice

The Issuer reserves the right to modify or amend this Official Notice of Sale. Any bid submitted shall be in accordance with, and incorporate by reference, this Official Notice of Sale, including any revisions made pursuant to this paragraph. Such modifications or amendments shall be communicated through TM3 News Wire as soon as practicable.

CUSIP NUMBERS

CUSIP identification numbers and CUSIP Service Bureau charges for assignment of the numbers will be the responsibility of the successful bidder, but any delay, error or omission with respect thereto shall not constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Notes in accordance with the terms of this Official Notice of Sale. It is also anticipated that the Notes will be in book-entry form with The Depository Trust Company to act as the Noteholders' nominee pursuant to the terms of the Resolution. It shall be the responsibility of the successful bidder to obtain eligibility for the Notes with The Depository Trust Company.

DELIVERY OF NOTES

Delivery of and payment for the Notes is expected to be made within 10 calendar days from the sale date in New York, New York, or such other place and time mutually

acceptable to the purchaser and the Issuer. Payment of the balance of the purchase price, plus accrued interest, if any, shall be made to the Issuer at the closing in Federal Reserve Funds of the United States of America.

The legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida ("Note Counsel") will be furnished without charge to the purchaser at the time of delivery. For a further discussion of the content of that opinion, see the Preliminary Official Statement for the Notes.

There will also be furnished at the time of delivery of the Notes, a closing transcript, including a certificate of the Issuer (which may be included in a consolidated closing certificate) relating to the accuracy and completeness of the Official Statement and that the Preliminary Official Statement is deemed final for purposes of SEC Rule 15c2-12 (the "SEC Rule"). There will also be delivered at closing a legal opinion of general counsel to the Issuer stating, among other things, that there is no known litigation or administrative action or proceeding pending or threatened at the time of delivery of the Notes, to restrain or enjoin or seeking to restrain or enjoin the issuance and delivery of the Notes or affecting the validity of the Notes.

DISCLOSURE AND OTHER OBLIGATIONS OF PURCHASER

The purchaser, by submitting its bid, agrees to furnish to the District and Note Counsel, a certificate containing information as to the *bona fide* initial offering price of the Notes to the public and sales of the Notes appropriate for determination of the issue price of, and the yield on the Notes under the Internal Revenue Code of 1986, as amended, as and at the time requested by Note Counsel.

Additionally, the winning bidder must complete the Truth-In-Bonding and Disclosure Statement provided by Note Counsel (the form of which is attached hereto as Exhibit A).

Furthermore, the purchaser shall advise the underwriting department of DTC, not less than 7 business days prior to the Note closing, of the closing date, CUSIP identification number and interest rate borne by the Notes.

CONTINUING DISCLOSURE

The Issuer has covenanted and agreed in the Resolution for the benefit of the holders of the Notes to provide certain continuing disclosure information pursuant to the SEC Rule. See the Preliminary Official Statement for the Notes for further discussion of such covenant.

OFFICIAL STATEMENT

The Issuer shall furnish at its expense within 7 business days after the Notes have been awarded to the purchaser, and in sufficient time to accompany any confirmation of the purchaser that requests payment from any customer, a sufficient number of copies of the final Official Statement, which, in the judgment of the Financial Advisor to the Issuer, will permit the purchaser to comply with applicable SEC and MSRB rules.

ADDITIONAL INFORMATION

Copies of the Preliminary Official Statement to be "deemed final" (except for permitted omissions) by the Issuer in accordance with the SEC Rule and other information may be obtained from Mr. Jerry W. Ford, Ford & Associates, Inc., 109 MacDill Avenue, Tampa, Florida 33609, telephone - (813) 874-6621; telecopy - (813) 874-6624; Financial Advisor to the Issuer.

SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA

By: /s/ Frances J. Adams, Ed.D.
Superintendent of Schools

FORM OF TRUTH-IN-BONDING AND DISCLOSURE STATEMENT

_____, 2012

School Board of Indian River County, Florida
Vero Beach, Florida

Re: \$12,000,000 School District of Indian River County, Florida Tax
Anticipation Notes, Series 2012

Dear Board Members:

The purpose of the following two paragraphs is to furnish, pursuant to the provisions of Sections 218.385(2) and (3), Florida Statutes, as amended, the truth-in-bonding statement required thereby, as follows:

(a) The School District is proposing to issue \$12,000,000 principal amount of the above-referenced Notes for the purpose of temporarily financing part of its current operation costs, as more fully described in the Official Notice of Sale relating to the Notes. This obligation is expected to be repaid over a period of less than one year. At a true interest cost of approximately _____%, total interest paid over the life of the obligation will be approximately \$_____.

(b) The Notes are special obligations of the District, payable from and secured by certain ad valorem tax payments collected for operating purposes of the Issuer during the fiscal year ending June 30, 2013 and, if necessary, will be additionally payable from but will not be secured by a lien upon or pledge of, all legally available funds of the Issuer derived from sources other than ad valorem taxation. Authorizing this debt or obligation will result in approximately \$_____ (representing the total principal and interest paid with respect to the Notes) of such revenues not being available for other services or purposes of the District for the fiscal year of the District ending June 30, 2013.

(c) Furthermore, pursuant to Section 218.386, Florida Statutes, the names, addresses and estimated amounts of compensation of any person who has entered into an understanding with the managing underwriter or, to the managing underwriter's knowledge, the District, or both, for any paid or promised compensation or valuable

consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and managing underwriter or who exercises or attempts to exercise any influence to effect any transaction in the purchase of the Notes are set forth below in the space provided. **If no information is provided below, the District shall presume no compensation was paid.**

The foregoing is provided for information purposes only and shall not affect or control the actual terms and conditions of the Bonds.

Very truly yours,

By: _____
Authorized Signatory

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2012

NEW ISSUE: FULL BOOK-ENTRY

Rating: Moody's "_____"
(See "NOTE RATING" herein)

In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Note Counsel, the interest on the Notes is, under existing statutes, regulations, rulings and court decisions, (i) excludable from gross income of the holders of such Notes for federal income tax purposes except as described under the caption "TAX EXEMPTION" herein and (ii) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences. See "TAX EXEMPTION" herein for a discussion of Note Counsel's opinion.

\$12,000,000*

SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA
TAX ANTICIPATION NOTES, SERIES 2012

Dated: Date of Delivery

Due: June 30, 2013

The Tax Anticipation Notes, Series 2012 (the "Notes"), of the School District of Indian River County, Florida (the "District") will be issued under the authority of Section 1011.13, Florida Statutes, as amended, pursuant to and subject to the terms and conditions of Resolution #2013-05, adopted by The School Board of Indian River County, Florida on October 9, 2012 (the "Resolution"), authorizing the issuance of the Notes. The Notes will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). The Notes will be deposited with DTC, which will be responsible for maintaining a book-entry-only system for recording the interests of its participants, which, in turn, will be responsible for maintaining records with respect to beneficial ownership interests of individual purchasers of the Notes. Purchasers of the Notes (the "Beneficial Owners") will not receive physical delivery of note certificates. As long as Cede & Co. is the registered owner of the Notes, principal and interest payments will be made by Hancock Bank, Orlando, Florida, as Registrar and Paying Agent, directly to Cede & Co., as the registered owner. DTC will, in turn, remit such payments to its participants for subsequent disbursement to the Beneficial Owners. Interest on the Notes will be paid on maturity.

The Notes are not subject to redemption prior to maturity.

PAYMENT FOR THE PRINCIPAL AND INTEREST ON THE NOTES WILL BE MADE IN IMMEDIATELY AVAILABLE FUNDS (FEDERAL FUNDS).

Interest Rate: ____% **Yield:** ____% **Initial CUSIP No.:** _____

The principal of and interest on the Notes shall be payable from and secured by a lien upon (a) receipts of ad valorem taxes collected for operating purposes (excluding ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40-1010.55, Florida Statutes; or to pay the principal of and interest on any obligations issued by the District pursuant to Section 1011.14, Florida Statutes; or otherwise levied pursuant to Section 1011.71(2), Florida Statutes) and (b) amounts on deposit in the Note Payment Fund for the Notes; and, if necessary, shall be additionally payable from, but not secured by, legally available funds of the District derived from sources other than ad valorem taxation.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

ELECTRONIC BIDS ONLY FOR THE NOTES PURSUANT TO THE PROVISIONS OF THE OFFICIAL NOTICE OF SALE WILL BE RECEIVED BY THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA, AT 11:00 A.M., LOCAL TIME, ON OCTOBER 23, 2012 PURSUANT TO THE BIDCOMP PARITY® COMPETITIVE BIDDING SYSTEM. THIS PRELIMINARY OFFICIAL STATEMENT SHALL BE "DEEMED FINAL" BY THE DISTRICT AS OF ITS DATE FOR PURPOSES OF AND EXCEPT FOR CERTAIN OMISSIONS PERMITTED BY SEC RULE 15c2-12(b)(1).

The Notes are offered in full book-entry form, when, as, and if issued and received by the purchaser of the Notes and subject to the approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Note Counsel. Certain legal matters will be passed upon for the District by Brown, Garganese, Weiss & D'Agresta, P.A., Orlando, Florida, Counsel to the School Board. Nabors, Giblin & Nickerson, P.A., Tampa, Florida is acting as Disclosure Counsel to the School Board. Ford & Associates, Inc., Tampa, Florida is serving as Financial Advisor to the District. It is expected that settlement for the Notes will occur through the facilities of DTC in New York, New York on or about November [2], 2012.

Dated: October __, 2012.

*Preliminary, subject to change

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA

1990 25th Street
Vero Beach, Florida 32960

BOARD MEMBERS

Jeffrey Pegler, Chairman
Carol Johnson, Vice Chairman
Karen Disney-Brombach
Claudia Jiménez
Matthew McCain

SCHOOL OFFICIALS

Superintendent of Schools
Dr. Frances J. Adams

Assistant Superintendent for Finance/Operations
Carter Morrison

Accounting Manager
Charlene Atkins

COUNSEL TO THE SCHOOL BOARD

Brown Garganese Weiss & D'Agresta, P.A.
Orlando, Florida

NOTE COUNSEL/DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson
Tampa, Florida

FINANCIAL ADVISOR

Ford & Associates, Inc.
Tampa, Florida

PAYING AGENT

Hancock Bank
Orlando, Florida

This Official Statement does not constitute an offer to sell the Notes in any state or other jurisdiction to any person to whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Notes, and if given or made, such information or representation must not be relied upon.

The information set forth herein has been furnished by the District, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or anyone acting on its behalf with respect to the information provided by other sources. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Notes made hereunder shall, under any circumstances, except as stated herein, create any implication that there has been no change in the affairs of the District since the date hereof.

The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon exemptions contained in the Securities Act, will not be listed on any stock or securities exchange and neither the Securities and Exchange Commission nor any other Federal, state, municipal or other governmental entity, other than the School Board, has passed upon the accuracy or adequacy of this Official Statement.

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APPENDICES

APPENDIX A	General Information Regarding Indian River County, Florida
APPENDIX B	Excerpted Pages from the Comprehensive Annual Financial Report of the School District of Indian River County, Florida for Fiscal Year Ended June 30, 2011
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APPENDIX D	Form of Resolution
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OFFICIAL STATEMENT

Relating to

\$12,000,000*

SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA

Tax Anticipation Notes, Series 2012

INTRODUCTION

This Official Statement, including the cover page and the appendices, is provided by The School Board of Indian River County, Florida (the "School Board" or "Board"), the governing body of the School District of Indian River County, Florida (the "District"), a public body corporate and politic established and existing pursuant to Section 4, Article IX of the Florida Constitution and the laws of the State of Florida (the "State"), including, particularly, Chapter 1001, Florida Statutes, as amended, in connection with the issuance and sale of the District's \$12,000,000* Tax Anticipation Notes, Series 2012 (the "Notes"). The Notes are being issued pursuant to Section 1011.13, Florida Statutes, as amended, and Resolution #2013-05, adopted by the School Board on October 9, 2012 (the "Resolution"), in anticipation of the receipt by the District of certain revenues during the fiscal year which commenced July 1, 2012, and ends June 30, 2013 (the "2012/2013 Fiscal Year"). See "SECURITY FOR THE NOTES" herein. The issuance of the Notes is consistent and in accordance with the District's annual financial planning procedures. The proceeds of the Notes may only be used to pay operating expenditures incurred or accrued during the 2012/2013 Fiscal Year.

The District derives its revenues primarily from State educational funds and from ad valorem taxes levied by the District on taxable property located in Indian River County, Florida (the "County") for the support of public schools. The Notes are special obligations of the District and are secured as to principal and interest by a pledge of the receipts from the ad valorem property taxes levied for the purpose of operations during the 2012/2013 Fiscal Year. If necessary, the Notes are additionally payable from, but are not secured by, legally available funds of the District derived from sources other than ad valorem taxation. See "SECURITY FOR THE NOTES" herein.

Pursuant to the Resolution, the District covenants to deposit said ad valorem tax receipts in a note payment fund (the "Note Payment Fund") to be maintained and monitored by the District, on particular dates and in specified amounts until the amount so deposited equals the principal of and interest on the Notes due at maturity. See "SECURITY FOR THE NOTES" herein.

*Preliminary, subject to change

The District has covenanted and agreed for the benefit of the holders of the Notes to provide notices of certain material events pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein.

This Official Statement contains information concerning the District, the School Board, their finances, the sources of payment of the Notes and certain provisions contained in the Notes and the Resolution. All references herein to the Resolution, other agreements, documents and laws are qualified in their entirety by reference to the Resolution and each such agreement, document or law, and all references to the Notes are further qualified by reference to the definitive form thereof and information with respect thereto contained in the Resolution. The form of the Resolution is attached hereto as APPENDIX D. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution, unless the context clearly indicates a different meaning is intended.

DESCRIPTION OF THE NOTES

The Notes are authorized to be issued pursuant to the provisions of Chapter 1011.13, Florida Statutes, as amended, and the Resolution. The Notes will be dated the date of issuance of the Notes (currently expected to be November [2], 2012) and will mature June 30, 2013. Interest on the Notes (calculated on a 360-day year basis comprised of twelve 30-day months) will be payable at maturity; provided that if the maturity date is not a business day, interest (and principal) will be paid on the next succeeding business day and payment on such day will have the same force and effect as if made on the maturity date and no interest will accrue for the period after the maturity date. Both the principal of and interest on the Notes shall be payable upon presentation and surrender at the principal office of Hancock Bank, Orlando, Florida, as Registrar and Paying Agent. The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Note proceeds will be used to pay operating expenses of the District prior to the receipt of budgeted revenues. Imbalances in the District's cash flow result from the timing of the receipt of ad valorem property taxes.

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT THE DISTRICT DOES NOT TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for such Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Registrar on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District and/or the Paying Agent for the Notes. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but takes no responsibility for the accuracy thereof.

SECURITY FOR THE NOTES

Nature of Obligation

The Notes are special obligations of the District, payable from (a) receipts of ad valorem taxes (the "Tax Receipts") collected by the Indian River County Tax Collector for the benefit of the District during the 2012/2013 Fiscal Year, but only to the extent such tax receipts are levied or legally available for payment of operating expenses of the District and (b) amounts on deposit in the Note Payment Fund (collectively, the "Pledged Revenues"). Pledged Revenues shall not include ad valorem taxes collected to pay the principal of and interest on obligations of the District issued pursuant to Sections 1010.40-1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the District pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes. If necessary, the Notes are additionally payable from, but are not secured by, the Non-Ad Valorem Funds of the District (defined in the Resolution as all legally available funds of the District or the School Board derived from sources other than ad valorem taxation).

NO OWNER OF ANY OF THE NOTES SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE SCHOOL BOARD, THE DISTRICT, THE COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OR TAXATION IN ANY FORM ON ANY PROPERTY THEREIN FOR PAYMENT THEREOF, OR BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE SCHOOL BOARD OR THE DISTRICT, EXCEPT FOR THE PLEDGED REVENUES AND ANY NON-AD VALOREM FUNDS DEPOSITED IN THE NOTE PAYMENT FUND.

The School Board may issue additional obligations (including additional installments of Notes) payable from and secured by a lien upon the Pledged Revenues on a parity with the Notes, and may issue obligations having a first lien upon moneys of the District other than the Pledged Revenues and the moneys on deposit in the Note Payment Fund. The School Board covenants in the Resolution that it will not issue any (i) indebtedness of any kind payable from the Pledged Revenues which indebtedness is secured by a lien upon the Pledged Revenues superior to that of the Notes, (ii) obligations

(other than additional installments of Notes) payable from or secured by a lien on the moneys on deposit in the Note Payment Fund, and (iii) additional obligations having an equal lien upon the Pledged Revenues if the issuance of such additional indebtedness would violate the provisions of Section 1011.13(1), Florida Statutes, as amended.

Note Payment Fund

In accordance with the terms of the Resolution, the District has established a fund designated the "Note Payment Fund." The District will make or cause to be made deposits of the Pledged Revenues and other revenues in the amounts and by the dates provided in the Resolution, as summarized above, into the Note Payment Fund to ensure the timely payment of the principal of and interest on the Notes.

The Tax Receipts will be received periodically throughout the 2012/2013 Fiscal Year. Pursuant to the Resolution, the District has covenanted to deposit the Tax Receipts into the Note Payment Fund in sufficient amounts so that the balance on deposit therein (as of the dates shown) is as follows: \$_____ by March 31, 2013 (approximately one-third of the total principal and interest due on the Notes), \$_____ by April 30, 2013 (approximately two-thirds of the total principal and interest due on the Notes), and \$_____ by May 31, 2013, so that the balance on deposit therein on May 31, 2013 will equal the amount of principal and interest on the Notes at maturity.

If, on June 1, 2013, or the first business day thereafter, and continuously thereafter, there is not on deposit in the Note Payment Fund an amount (including investments and the income or earnings to be received thereon) equal to all principal of and interest on the Notes at maturity, the School Board shall designate the Note Payment Fund as its depository for the receipt of Pledged Revenues and continue such designation until such time as the amount in the Note Payment Fund, together with the earnings to be received thereon, is equal to all principal of and interest on the Notes at maturity.

Moneys on deposit in the Note Payment Fund shall be held solely for the payment of the Notes. Pending disbursement upon the Maturity Date of the Notes, such moneys may be invested, pursuant to the Resolution, at the direction of the District in investments which are, under Florida law, legal for the investment of surplus funds of school districts. Interest on such investments in the Note Payment Fund shall be retained in the Note Payment Fund and will be available to reduce the amounts required to be deposited by the District in the Note Payment Fund.

The proceeds of the Notes are not pledged as security for payment of principal of and interest on the Notes and will be expended by the District to pay the costs of issuance of the Notes and to pay the obligations created by the District in accordance with its operating budget for the 2012/2013 Fiscal Year. The holders of the Notes will have no responsibility for the use of the proceeds of the Notes, and the use of such proceeds by the District will in no way affect the rights of such Noteholders.

THE SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA

The District

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The boundaries of the District are coterminous with the County. As of July 1, 2012, the District included 27 schools (including 5 charter schools), 17,738 students and 1,985 full-time employees, including 1,072 instructional personnel. Management of the schools is independent of County and city governments. Indian River County collects taxes for the District, but exercises no control over their expenditures.

The School Board

The School Board is a body corporate existing under the laws of the State of Florida. The School Board is the governing body of the District, consisting of five members elected for overlapping four-year terms. Under existing law, the School Board's duties and powers include, but are not limited to, the development of policies and rules for the efficient operation of the District, the acquisition, maintenance and disposition of school property within the District; the development and adoption of a school program for the District; the establishment, organization and operation of schools, including vocational and evening schools and the establishment and operation of programs for gifted students and for students in residential care facilities; the appointment, compensation, promotion and dismissal of employees; the establishment of courses of study and the provision of adequate instructional aids; and the establishment of a system to transport students to school or school-related activities.

The School Board also has broad financial responsibilities, including the approval of the annual budget, adoption of the school tax levy and the establishment of a system of accounting and budgetary controls. The annual budget and accounting reports must be filed with the State Department of Education.

The present members of the School Board, their respective offices and expiration of their respective terms are as follows:

<u>Name/Office</u>	<u>Term Expires</u>
Jeffrey Pegler, Chairman	November 2014
Carol Johnson, Vice Chairman	November 2014
Karen Disney-Brombach	November 2014
Claudia Jiménez	November 2012
Matthew McCain	November 2012

Superintendent of Schools

The Superintendent of Schools is appointed by, and serves as ex officio Secretary to, the School Board. The Superintendent oversees operations of the school system, makes policy recommendations to the School Board, and performs the duties assigned to her by law and the regulations of the State Department of Education.

The Superintendent also prepares the annual budget for approval by the School Board, recommends the tax levy based upon needs illustrated by the budget, recommends debt issuance or borrowing plans of the School Board when necessary, provides recommendations for investment of available funds, and keeps records with respect to all funds and financial transactions of the School Board.

Administration

Dr. Frances J. Adams, Superintendent. Dr. Adams was appointed as Superintendent of Schools in June 2011. Dr. Adams has been a part of the District since 1983. She has worked in a variety of capacities for the District including: classroom teacher, Coordinator of Staff Development, Assistant Principal of a Middle School, an Elementary Principal, Founding Principal of the second high school in the District, and Assistant Superintendent of Curriculum and Instruction. From 1998 to 2012, Dr. Adams provided leadership, direction and oversight for curriculum and instruction priorities and projects that supported district strategic initiatives and met state and federal mandates. She consulted and collaborated directly with school administrators regarding all aspects of curriculum, instruction and assessment services. Dr. Adams received her Bachelor's in Education from Youngstown State University, a Masters Degree in Education from Colorado State University, a Masters Degree in School Administration from Edinboro University, and a Doctorate in Education from Nova Southeastern University. She has received numerous awards and recognitions throughout her career including: Woman of Distinction Award for Public Sector, sponsored by Palm Glades Girl Scout Council, named to Who's Who Among Top Executives, named the District's Outstanding Principal, nominated for the Commissioner's Principal Achievement Award for Outstanding Leadership, and received a letter of invitation from the Florida Education Commissioner to apply for "Principal in Residence" Program in Tallahassee. She is a member of various professional associations including Phi Delta Kappa, Florida Association of School Administrators, Florida Association of Curriculum Development, and the Florida Organization of Instruction Leaders, of which she is a Past President. She has also been active in civic organizations such as YMCA, Treasure Coast Teen Institute, Sebastian River Medical Center, and United Way. Dr. Adams has presented at many local, state and national conferences and in her role as Superintendent, she continues to be a community leader and visionary leader for the District.

Carter Morrison, Assistant Superintendent for Finance/Operations. Prior to his current position, Mr. Morrison served for four years as the Supervisor of Accounting with

Martin County Public Schools. His duties included the supervision of General Accounting, Accounts Payable, Accounts Receivable and all Federal Programs. Mr. Morrison also served as the Purchasing Card Program Administrator for the District's \$16 million Purchasing Card program. In addition he served as a staff auditor with Haas Diaz & Co. CPA's (now Rachlin, Cohen & Holtz) in West Palm Beach, Florida, for three years. He has also worked as a tax accountant and auditor for Singer & Lusardi CPA's in Worcester, Massachusetts. Mr. Morrison holds a Masters of Business Administration and a Bachelors of Science degree from Fitchburg State College, Fitchburg, Massachusetts, and is a Certified Government Finance Officer.

Charlene Atkins, Accounting Manager. Ms. Atkins joined the Indian River Public School finance team in August 2000 as a Senior Accountant and was promoted to Accounting Manager in July 2007. From 1996-1999 she was an Accounting Supervisor for Brevard County Public Schools and, prior to moving to Florida in 1994, was the Division Accountant for a small school district in Virginia. Her duties include oversight of cash and investments, debt service funds, and the food service fund. She is a licensed Certified Public Accountant in the Commonwealth of Virginia and holds a Bachelor of Science degree from Longwood University in Farmville, Virginia.

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Statistical Data

The following table presents a summary of general statistical data regarding the District

**School District of Indian River County, Florida
Summary of Selected Statistical Data
Five Year History**

<u>School Year</u>	<u>Number of Schools</u> ⁽²⁾	<u>Number of Instructors</u>	<u>FTE Enrollment</u> ⁽³⁾	<u>Average Expenditures per FTE Student</u> ⁽⁴⁾
2012/2013 ⁽¹⁾	27	1,072	17,738	\$7,323
2011/2012	28	1,074	17,596	7,286
2010/2011	28 ⁽⁵⁾	1,152	17,571	6,770
2009/2010	28	1,129	17,516	7,060
2008/2009	27	1,175	17,398	7,519

- (1) Budgeted Figures
- (2) Inclusive of charter schools
- (3) Full-time equivalent, inclusive of charter school students
- (4) Operating fund expenditures
- (5) An elementary school was re-purposed into a special center; however, the total number of schools did not change from 2009/10.

Source: School District of Indian River County, Florida

Employee Relations

The employees of the District are nominated for employment at the discretion of the Superintendent of Schools, subject to confirmation by the School Board. Personnel policies and guidelines are codified and are published in the School Board Policy Manual.

Under the Constitution of the State of Florida, public employees have the right to collectively join together for the purpose of bargaining over the terms and conditions of employment. Collective bargaining associations in the District are the Indian River County Education Association ("IRCEA"), which represents 1,072 teachers, and Communication Workers of America ("CWA"), which represents 639 employees. The contracts with the unions expired on June 30, 2012. The District is currently negotiating new contracts with the unions. Until such new contracts are finalized, the existing contracts will remain in place. Strikes or work actions by public employees, under any conditions, are prohibited by state law. The relationships of the District with both the IRCEA and the CWA are stable.

Retirement and Other Postemployment Benefit Programs

State Retirement Program. The Board does not administer a separate retirement plan for its officers and employees. However, pursuant to law, all full-time employees are, with minor exceptions, members of defined retirement plans of the State administered by its Department of Administration, Division of Retirement. The retirement plans of the State consist of contributory and non-contributory benefit plans. The plans provide for retirement, death and disability benefits and require contributions by employees and/or participating agencies as stated percentages of compensation set by law as determined from time to time by the State Legislature. The plans' accounting and funding policies, actuarial present value of accumulated plan benefits, net assets available for benefits, and other plan related matters are the responsibility of the State Department of Administration, Division of Retirement, and are not computed on an individual agency basis.

The District's liability for participation in the plan 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 (including employee contributions) for the Fiscal Years ending June 30, 2010, June 30, 2011, and June 30, 2012 totaled \$7,430,600, \$7,809,139 and \$3,384,777 (unaudited), respectively, which were equal to the required contributions for each fiscal year.

The Florida Legislature also created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). Benefits in PEORP vest after one year of service. This program is administered by the Florida Retirement System as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the Florida Retirement System. 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. There were 185 participants during Fiscal Year 2011/12. Required employer contributions made by the District to the program for the Fiscal Years ended June 30, 2010, June 30, 2011 and June 30, 2012 totaled \$1,189,320, \$1,265,375 and \$552,905 (unaudited), respectively. Additional information regarding the retirement programs is included in Note 16 to the audited financial statements for the Fiscal Year ended June 30, 2011 attached as Appendix B hereto and Note 16 to the annual financial report (unaudited) for the Fiscal Year ended June 30, 2012 attached as Appendix C hereto.

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to the Florida Retirement System with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of the Florida Retirement System were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required

employer contribution rates for each membership class and subclass of the Florida Retirement System. Additionally, the bill eliminated the cost of living adjustment for all Florida Retirement System employees for service earned on or after July 1, 2011, although the legislation does contemplate reinstatement of the adjustment in 2016 under certain conditions. On June 20, 2011, the Florida Education Association, a teachers union, announced it has filed a class action lawsuit challenging the constitutionality of such legislative changes with respect to existing employees. The suit alleges the legislation unlawfully impairs state employee contracts, constitutes a taking of private property without full compensation and violates government workers constitutional right to collective bargaining.

On March 6, 2012, the Circuit Court issued its ruling in favor of the plaintiffs holding that the required 3% contribution and elimination of the cost-of-living adjustment for employees who were Florida Retirement System members prior to July 1, 2011 unlawfully impaired State employee contracts, constituted a taking of private property without full compensation and violated the public employees right to collective bargaining. The Circuit Court ordered the State to reimburse, with interest, the funds deducted or withheld from the compensation or cost-of-living adjustments from such employees. The State appealed the Circuit Court's ruling to the First District Court of Appeals, which automatically stayed the effectiveness of the Circuit Court ruling. The First District Court of Appeals certified the case to the Florida Supreme Court as a matter of great public importance. On March 28, 2012, the Florida Supreme Court accepted jurisdiction in the case. Oral arguments in the case were heard on September 5, 2012. At present, the final outcome of such lawsuit cannot be determined. However, if the plaintiffs are ultimately successful, the impact to the District's finances could be substantial given the current State economy and level of education funding. See "REVENUES OF THE DISTRICT - State Sources – State Budget" herein.

The other changes to the Florida Retirement System contained in the legislation only apply to employees who are initially enrolled in the Florida Retirement System on or after July 1, 2011. For personnel entering the Florida Retirement System on and after July 1, 2011, the following changes apply: the average final compensation upon which retirement benefits are calculated will be based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement, the Deferred Retirement Option Plan (DROP) is maintained but the interest accrual rate will be reduced from 6.5% to 1.3%, the normal retirement age is increased from 62 to 65 and the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

Other Post Employment Benefit Program. In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits ("OPEB") for certain of its retired employees in the form of an implicit rate subsidy, by providing access to health insurance plans requiring the use of a single

"blended" or "common" rate for both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

As with all governmental entities of similar size providing similar plans, the District was required to implement with the Governmental Accounting Standards Board Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45") no later than its Fiscal Year ended June 30, 2008. To that point, the District had historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded.

The District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those retired and active employees, was \$11.97 million (unaudited) as of June 30, 2012. The District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the applicable fiscal year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for) was approximately \$1.53 million (unaudited) as of June 30, 2012. The calculation of the accrued actuarial liability and the ARC is, by definition and necessity, based upon a number of assumptions, including interest rates on investments, average retirement age, life expectancy, healthcare costs per employee and insurance premiums, many of which factors are subject to future economic and demographic variations. The District's net, end-of-year OPEB obligation was \$15.84 million (unaudited) as of June 30, 2012, which reflects the District's approximately \$251,765 contribution toward its annual OPEB costs during Fiscal Year 2011/12.

While the District does not know at this time what its ultimate OPEB liabilities will be in connection with GASB 45 compliance in the future or how much of the related ARC's it will need to budget in future years, it expects its OPEB liability to be significant, but manageable within its normal budgeting process. Information regarding the District's OPEB obligations is included in Note 17 and in the Required Supplementary Information to the audited financial statements for the Fiscal Year ended June 30, 2011 attached as Appendix B hereto and Note 17 and in the Required Supplementary Information to the annual financial report (unaudited) for the Fiscal Year ended June 30, 2012 attached as Appendix C hereto.

Indebtedness

The following table summarizes the District's long-term debt outstanding as of June 30, 2012. Bonded debt of the District consists of various series of local and State Board of Education Bond issues.

General Obligation debt is secured by the levy of ad valorem taxes for such purpose. Principal and interest on State Board of Education Bonds are secured by and payable from the State motor vehicle license taxes distributable to the District under State law. The responsibility for principal and interest payments, investment of funds, and reserve requirements for State Board of Education Bonds is administered by the State Board of Education and the State Board of Administration. Payments on the Certificates of Participation are primarily derived from ad valorem taxes received by the School Board.

**School District of Indian River County, Florida
General Long-Term Debt
(As of June 30, 2012)⁽²⁾**

<u>General Description</u>	<u>Outstanding Balance</u>
General Obligation Ref. Bonds:	
Series 2002	\$4,750,000
Self-Supporting State Bonds ⁽¹⁾ :	
Series 2005-A	4,880,000
Series 2008-A	1,060,000
Series 2010-A	150,000
Certificates of Participation ⁽²⁾ :	
Series 2005	61,050,000
Series 2007	39,345,000
Series 2010-A ⁽³⁾	<u>26,261,000</u>
Total ⁽⁴⁾	<u>\$137,496,000</u>

(1) Bonds are issued by the State Board of Education on behalf of the District and are secured by a pledge of the District's portion of the State assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for such Bonds.

(2) Certificates of Participation figures as of July 2, 2012.

(3) With respect to such certificates, the District is required to make annual sinking fund payments of \$1,458,944 in the years 2011 through 2028, inclusive. Such sinking fund installments are expected to be invested pursuant to a guaranteed investment contract. The District will receive a credit against its sinking fund payment each year based on interest earnings on the guaranteed investment contract over the prior year. The interest earnings, combined with the sinking fund installments, are expected to produce funds necessary to retire the \$26,261,000 principal amount due on December 1, 2028.

(4) Additionally, the District's compensated absences and net OPEB liability were \$8.9 million (unaudited) and \$15.8 million (unaudited), respectively, as of June 30, 2012.

Source: School District of Indian River County, Florida.

Direct and Overlapping Debt and Debt Ratios

The following table presents a statement of direct and overlapping debt for the School District of Indian River County.

The School District of Indian River County, Florida Debt Statement*

DIRECT DEBT	General Obligation Debt	Non-Self Supporting Debt	Self Supporting Debt
General Obligation Ref. Bonds, Series 2002	\$ 4,750,000		
State Bonds, Series 2005-A			\$ 4,880,000
State Bonds, Series 2008-A			1,060,000
State Bonds, Series 2010-A			150,000
Certificates of Participation, Series 2005		\$ 61,050,000	
Certificates of Participation, Series 2007		39,345,000	
Certificates of Participation, Series 2010-A		26,261,000	
Total Direct Debt	<u>\$ 4,750,000</u>	<u>\$ 126,656,000</u>	<u>\$ 6,090,000</u>
OVERLAPPING⁽¹⁾			
Limited General Obligation Bonds, Series 2006	\$ 35,385,000		
General Obligations Bonds, Series 2001	4,430,000		
Spring Training Facility Rev. Bonds, Series 2001		\$ 11,705,000	
Water and Sewer Ref. Rev. Bonds, Series 2005			\$20,490,000
Water and Sewer Ref. Rev. Bonds, Series 2009			26,370,000
Recreational Ref. Rev. Bonds, Series 2003			2,655,000
Total Overlapping Debt	<u>\$ 39,815,000</u>	<u>\$ 11,705,000</u>	<u>\$49,515,000</u>
Total Direct and Overlapping Debt	<u>\$ 44,565,000</u>	<u>\$ 138,361,000</u>	<u>\$55,605,000</u>

*Figures are as of June 30, 2012 (unaudited) with respect to the District (except for Certificate of Participation figures which are as of July 2, 2012) and as of September 30, 2011 with respect to the County.

(1) Overlapping debt consists of the debt of Indian River County.

Source: School District of Indian River County, Florida; Comprehensive Annual Financial Report of Indian River County, Florida for the Fiscal Year ended September 30, 2011.

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The School District of Indian River County, Florida
Summary of Direct and Overlapping Debt
As of June 30, 2011

	<u>Total Outstanding Debt</u>	<u>Percentage of Total Taxable Assessed Valuation⁽²⁾</u>	<u>Per Capita⁽³⁾</u>
General Obligation			
Direct	\$ 4,750,000	0.0351%	\$ 34.25
Overlapping ⁽¹⁾	<u>39,815,000</u>	<u>0.2946</u>	<u>287.07</u>
TOTAL	\$44,565,000	0.3297%	\$321.32
Non Self-Supporting Debt			
Direct	\$126,656,000	0.9371%	\$913.20
Overlapping ⁽¹⁾	<u>11,705,000</u>	<u>0.0866</u>	<u>84.39</u>
TOTAL	\$138,361,000	1.0237%	\$997.59
Self-Supporting Debt			
Direct	\$6,090,000	0.0451%	\$ 43.91
Overlapping ⁽¹⁾	<u>49,515,000</u>	<u>0.3663</u>	<u>357.00</u>
TOTAL	\$55,605,000	0.4114%	\$400.91
TOTAL DIRECT DEBT	\$137,496,000	1.0173%	\$991.36
TOTAL OVERLAPPING DEBT ⁽¹⁾	\$101,035,000	0.7476%	\$728.47
Total Assessed Valuation Per Capita ⁽²⁾⁽³⁾	\$97,447.06		

(1) Calculations based upon figures as of September 30, 2011.

(2) Based upon preliminary 2012 School Taxable Assessed Valuation of \$13,515,321,926 as of July 1, 2012. Such figure is subject to adjustment.

(3) Based upon 2011 County population estimate of 138,694.

Notes: The School District debt does include State Board of Education Bonds which are secured by State Motor Vehicle License taxes.

Source: School District of Indian River County, Florida; Indian River County, Florida Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011.

Accounting Matters

Accounting policies conform with generally accepted accounting principles applicable to state and local governmental units. The District implemented the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"), and related GASB pronouncements, during the Fiscal Year ended June 30, 2003. GASB 34 created new

basic financial statements for reporting the District's financial activities. In addition to fund-basis financial statements, the financial statements now include government-wide financial statements prepared on the accrual basis of accounting that split the District's programs between governmental and business-type activities. The organization of such financial statements for Fiscal Year 2010/2011 was as follows:

Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government and its component units. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

Government - wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expense and program revenues for each function or program of the District's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense for the District has been allocated based upon a percentage of functional expenditures to total expenditures with direct allocation for some expenses in pupil transportation, food service and maintenance of plant functions.

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

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

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

The District reports the following major governmental funds:

General Fund - to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Special Revenue- Federal Economic Stimulus Fund - to account for certain Federal grant program resources provided for operations and other programs as set out in the American Recovery and Reinvestment Act of 2009 and other stimulus programs.

Debt Service - Other Fund - to account for financial resources for debt principal and interest for the Series 2005 and Series 2007 Certificates of Participation.

Debt Service - American Recovery and Reinvestment Act Fund - to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs of the Qualified School Construction Bond issue.

Capital Projects - Local Capital Improvement Fund - to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, payments on operating leases, motor vehicles purchases, equipment purchases, costs of environmental compliance, and payment of property and casualty premiums.

Capital Projects - Other Fund - to account for other financial resources generated by the Series 2005, Series 2007 Certificates of Participation, impact fees, and Class Size Reduction construction funds to be used for capital projects.

Capital Projects - American Recovery and Reinvestment Act Fund - to account for the financial resources of the Qualified School Construction Bond issue to be used for certain capital construction and improvement projects.

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

Internal Service Funds - to account for the District's individual self-insurance programs and to account for the resources of the East Central Florida Management Training Institute (MTI) consortium for which the School Board acted as fiscal agent for the 2010/11 Fiscal Year.

Enterprise Fund - Extended Day Program Fund - to account for the financial resources of the District's Extended Day Program. This program provides before and after school care to students.

Private-Purpose Trust Fund - to account for resources of the Waldo Schraubstader Scholarship Fund.

Agency Funds - to account for resources of the school internal funds, which are used to administer moneys collected at schools in connection with student and club activities.

Budget Process

State law requires the School Board to advertise its intent to adopt a tentative budget, including a capital outlay budget, within 29 days following the County Appraiser's official certification of taxable property, which usually occurs on or about July 1. The School Board holds a public hearing on the tentative budget and the proposed tax rates within five days of its advertisement, and officially adopts the tentative budget and tax rates at the hearing. Thereafter, the County Appraiser prepares tax millage notices for property owners within the School District. The final budget and tax rate are fixed on or before September 18 of each year, following a final public hearing. The final budget for the 2012/13 Fiscal Year was adopted by the School Board on September 11, 2012.

The Superintendent of Schools is responsible for preparing the preliminary and tentative budgets for recommendation to the School Board. Florida law requires the School Board to adopt and maintain a balanced budget, in which anticipated revenues combined with beginning fund balances equal appropriations. Generally, the final budget is substantially the same as the tentative budget since the School Board's hiring plans and materials purchases have been determined before the tentative budget is adopted.

Auditing System

In addition to local internal audits, two other budget reviews are conducted. The Department of Education conducts regular financial compliance reviews of each school district to ensure that the school districts comply with state regulations. In conjunction with this review, the Financial Management Section of the Florida Department of Education reviews the cost reporting system of each school district to ensure that the Financial and Program Costs Accounting and Reporting for Florida schools is being properly implemented by the School Board.

Reporting Achievements

The School Board's Comprehensive Annual Financial Report for the fiscal years ended June 30, 2009 and June 30, 2010 (the "2009 and 2010 Fiscal Year CAFRs"), was awarded the Certificate of Achievement for Excellence in Financial Reporting (the "Certificate of Achievement") by the Government Finance Officers Association of the United States and Canada. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy

both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for a period of one year.

Furthermore, the School Board received the Association of School Business Officials International Certificate of Excellence in Financing Reporting for the 2009 and 2010 Fiscal Year CAFRs.

General Fund Revenue Sources

The District's general fund revenues are derived from federal and State appropriations and local sources of funds. The District's two major sources of funds from the State are funding under the Florida Education Finance Program ("FEFP") and the State's Categorical Education Program. Categorical funds are restricted to the specific purposes for which they were authorized. The State Legislature appropriates funds for FEFP. The level of funding received by each school district is then determined in accordance with State law, particularly Chapter 1010, Florida Statutes.

To participate in FEFP funding, each school district must levy a minimum millage for operating purposes, which is set by the State Commissioner of Education, based upon the aggregate local effort for all school districts, and the most recent estimate of the non-exempt assessed valuation for school purposes prepared by the Department of Revenue. The required local effort millage for the District for the Fiscal Year of the School Board ending June 30, 2012 is 5.425 mills.

The following tables summarize General Fund operations for the three fiscal years ending June 30, 2008 through 2010, the unaudited General Fund operations for the 2011/2012 Fiscal Year and budget for Fiscal Year 2012/13.

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School District of Indian River County, Florida
Statement of Operations for the General Fund
Fiscal Years 2007-2011

	<u>Audited</u> <u>2008/09</u>	<u>Audited</u> <u>2009/10</u>	<u>Audited</u> <u>2010/11</u>	<u>Unaudited</u> <u>2011/12</u>	<u>Budgeted</u> <u>2012/13</u>
BEGINNING					
BALANCE	\$ 9,880,822	\$ 4,844,682	\$ 2,536,951	\$ 14,572,039	\$ 16,287,620
REVENUE:					
Federal	\$ 393,365	\$ 379,776	\$ 414,657	\$ 513,837	\$ 250,000
State	32,821,131	23,211,931	28,186,971	30,329,274	35,891,523
Local	<u>91,507,078</u>	<u>97,033,733</u>	<u>96,493,438</u>	<u>90,196,842</u>	<u>86,944,009</u>
Total Revenues	\$124,721,574	\$120,625,440	\$125,095,067	\$121,039,973	\$123,085,532
EXPENDITURES					
Instruction	\$ 86,287,683	\$ 80,468,723	\$ 75,625,765	\$ 79,975,649	\$ 82,930,920
Pup. Pers. Svcs.	4,104,908	3,767,547	3,550,297	3,546,016	3,434,303
Instr. Med. Svcs.	2,173,178	1,385,185	1,178,345	1,841,351	1,839,201
Instr. & Curr. Dev.	4,085,634	2,423,506	1,535,064	2,886,688	2,818,531
Instr. Staff Training	571,482	212,780	173,116	1,029,173	990,436
Instr. Rltd. Tech	832,274	838,206	726,160	728,096	891,839
Board	1,012,604	1,077,557	953,551	762,647	883,773
General Admin.	542,778	434,766	470,249	377,232	380,792
School Admin.	9,060,379	8,261,852	7,826,955	7,184,630	7,401,782
Fac. Acq.	194	37,263	22,586	687,862	782,828
Fiscal Svcs.	1,140,850	1,117,723	1,249,190	1,097,373	2,027,499
Food Svcs.	57,235	41,278	29,205	26,996	--
Central Svcs.	2,080,004	2,085,114	1,962,473	1,911,377	1,962,340
Pupil Trans.	5,377,965	4,998,173	4,802,245	4,907,281	5,546,518
Operation of Plant	12,721,224	11,174,732	10,765,908	11,952,850	12,856,217
Maint. of Plant	3,322,395	28	299,143	2,799,892	2,735,402
Admin. Tech. Svcs.	2,473,320	2,236,909	2,407,593	1,845,304	2,166,850
Comm. Svcs.	46,218	33,569	408	1,266	200
Capital Outlay	--	--	45,175	167,837	--
Debt Service	421,667	407,556	438,333	104,889	250,000
Transfers	--	--	--	--	--
Total Expenditures	<u>\$136,311,992</u>	<u>\$121,002,467</u>	<u>\$114,061,761</u>	<u>\$123,774,261</u>	<u>\$129,899,431</u>
Other Financial Sources	\$ 6,802,982	\$ (1,930,704)	\$ 1,001,782	\$ 4,449,870	\$ 4,150,136
Net Change in Fund Balance	\$ (4,787,436)	\$ (2,307,731)	\$ 12,035,088	\$ 1,715,581	\$ (2,663,763)
Adjustment to Beg. Fund Balance	(248,704)	--	--	--	--
Ending Balance	\$ 4,844,682	\$ 2,536,951	\$ 14,572,039	\$ 16,287,620	\$ 13,623,857

Source: School District of Indian River County

The Florida Legislature in January 2009 adopted legislation creating Section 1011.051, Florida Statutes, entitled "Guidelines for general funds." This new section requires that if a school district's unreserved General Fund balance in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the unreserved General Fund balance is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2011/12, the District's unreserved General Fund balance (unaudited) was 10.9% of General Fund revenues. The District projects the unreserved General Fund balance to be 8.5% of General Fund revenues for Fiscal Year 2012/13. For purposes of such calculation, assigned and unassigned funds are considered to be unreserved.

Cash and Investments

As of June 30, 2012, the District held cash and investments totaling \$17,107,319 (unaudited) and \$604,954 (unaudited), respectively, in its General Fund.

Cash Management

The 2011/12 Fiscal Year General Fund cash flow presented in the following table was prepared from financial records of the District.

The second table following presents a projected General Fund cash flow for the 2012/13 Fiscal Year. The cash flow is based on the 2012/13 Fiscal Year preliminary budget and historical experience adjusted to reflect current economic conditions. The 2012/13 Fiscal Year cash flow projection is based on the disbursement requirements for the entire Fiscal Year, including certain disbursements which could take place in the 2012/13 Fiscal Year, but which are not in 2012/13 Fiscal Year tentative budget expenditures, such as certain advances to other funds and provisions for contingencies. Revenue projections reflect the anticipation dates of receipt of funds provided under the Florida Education Finance Program (FEFP) and other state programs, and the expected timing of receipt of tax revenues collected by the County for the District. Ad valorem taxes shown in these tables reflect the general operating levy.

SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Actual Cash Flow Analysis - General Fund
For the Fiscal Period July 1, 2011 to June 30, 2012

SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Projected Cash Flow Analysis - General Fund
For the Fiscal Period July 1, 2012 to June 30, 2013

Investments

In accordance with State law, the District is required to keep all surplus funds invested. The District's investment policy authorizes the District to use government securities, collateralized bank deposits, certificates of deposit, collateralized repurchase agreements, money market funds utilizing government securities and the Local Government Surplus Funds Trust Fund of the Florida State Board of Administration ("SBA").

The SBA is authorized to invest in a wide range of investments including:

A. Mortgage pass-through certificates, meaning certificates evidencing ownership of an undivided interest in pools of conventional mortgages on real property which is improved by a building or buildings used for residential purposes for one-to-four families when:

(1) such real property is located in Florida;

(2) such mortgages are originated by one or more banks or savings and loan associations organized under the laws of Florida, by national banks or federal savings and loan associations having their principal place of business in Florida, or by a lender that is approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act and has its principal place of business in Florida, or by any combination thereof; and

(3) such mortgages are transferred or assigned to a corporate trustee acting for the benefit of the holders of such certificates.

B. Futures and options; provided, the instruments for such purpose are traded on a securities exchange or board of trade regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission, unless the SBA by rule authorizes a different market.

C. Domestic or foreign national principal contracts.

On November 29, 2007, the SBA implemented a temporary freeze on the assets held in the SBA's Local Government Surplus Trust Fund Investment Pool (the "Pool") due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into 2 separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a

payment, paid more slowly than expected and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants have no restrictions on withdrawals. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants have monthly transfers made by the S.B.A. from Pool B to Pool A. Market valuations of the assets held in Pool B are available from the Pool Administrator. In addition, full realization of the principal value of Pool B assets is not readily determinable.

As of June 30, 2012, the District had \$1,495,813 in Pool A and \$604,954 in Pool B, and currently plans to continue investing in Pool A. Additional information regarding the Local Government Surplus Fund Trust Fund may be obtained from the SBA.

REVENUES OF THE DISTRICT

The District derives its revenues from certain State and local sources. The major categories of these revenue sources are briefly described under the following sub-headings.

Local Revenue Sources

Local revenue for school district support is derived almost entirely from real and tangible personal property taxes described in "AD VALOREM TAX PROCEDURES" herein. School districts in the State are permitted to levy ad valorem property taxes separately for (i) operational purposes, (ii) the payment of debt service, and (iii) capital outlays and maintenance of school facilities. The amount of each such levy is subject to various constitutional and statutory limitations. See "AD VALOREM TAX PROCEDURES - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" herein. In addition, the District earns interest on cash invested and collects other miscellaneous revenues.

For operational purpose, the Florida Legislature annually places requirements on each school district to levy a millage rate that is defined by law to be the "district required local effort" for those school districts desiring to participate in the allocation of state funds available to school districts. The District's required local effort was 5.048 mills for Fiscal Year 2009/10, 5.422 mills for Fiscal Year 2010/11, 5.396 mills for Fiscal Year 2011/12 and is budgeted at 5.425 mills for Fiscal Year 2012/13. Included in such required local effort millage for Fiscal Years 2010/11, 2011/12 and 2012/13 was a Prior Period Funding Adjustment Millage of 0.036 mills, 0.030 mills and 0.014 mills,

respectively, as authorized by Section 1011.62(4)(e), Florida Statutes. Such Prior Period millage is levied when the preliminary taxable value for prior years is greater than the final taxable value for such years, thereby resulting in lower than expected revenues from the required local effect millage. School boards are also authorized to levy an additional "discretionary millage" for operations, not to exceed an amount established annually by the Legislature. For Fiscal Year 2011/12 the discretionary millage was 0.748 mills and is 0.748 mills for Fiscal Year 2012/13. For the 2009-10 and 2010-11 Fiscal Years, school districts were also authorized to levy a discretionary millage in an amount not to exceed 0.25 mills for critical operating needs or critical capital needs if approved by a super majority of the school board. The District levied 0.25 mills pursuant to such authorization in the 2010-11. The voters in the County approved the continuation of the 0.25 mills critical operating needs levy for two additional years. (see "AD VALOREM TAX PROCEDURES - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Further Reduction in Local Option Millage" herein).

Historically, budgeted revenues from ad valorem taxes were based on applying millage levies to ninety-five percent (95%) of the non-exempt assessed valuation of real and personal property. However, due to a change in applicable law, budgeted revenues are now required to be based on applying millage levies ninety-six percent (96%) of the non-exempt assessed valuation of real and personal property. Historically, the local taxes have been received at less than one hundred percent (100%) of assessed valuation due to the discounts for early payment. The County usually collects approximately ninety-six percent (96%) of the levied taxes. Ad valorem tax receipts for operating purposes decreased from \$93.34 million for the 2010/11 Fiscal Year to \$86.12 million (unaudited) for the 2011/12 Fiscal Year. Ad valorem tax receipts for operating purposes are budgeted to be \$83.40 million for the 2012/13 Fiscal Year.

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Historical and currently budgeted millage rates (tax per \$1,000 of assessed value) are as follows:

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13⁽¹⁾</u>
Required Local Effort	4.657	4.410	5.048	5.422 ⁽²⁾	5.396 ⁽²⁾	5.425 ⁽²⁾
Discretionary	0.611	0.600	0.748	0.748	0.748	0.748
Critical Operating Needs Levy	<u>N/A</u>	<u>N/A</u>	<u>0.000⁽³⁾</u>	<u>0.250⁽³⁾</u>	<u>0.250⁽³⁾</u>	<u>0.250⁽³⁾</u>
Total Operating Millage	5.268	5.010	5.796	6.420	6.394	6.423
Debt Service Millage ⁽⁴⁾	0.270	0.280	0.300	0.330	0.350	0.390
Capital Outlay	<u>2.000</u>	<u>1.750</u>	<u>1.500</u>	<u>1.500</u>	<u>1.500</u>	<u>1.500</u>
Total Millage	7.538	7.040	7.596	8.250	8.244	8.313

- (1) Budgeted figures.
- (2) Includes 0.036 mills, 0.030 mills and 0.014 mills Prior Period Adjustment Millage Levy for Fiscal Years 2010/11, 2011/12 and 2012/13 respectively. See "REVENUES OF THE DISTRICT - Local Sources" above.
- (3) Authorized pursuant to recent legislative amendments to Section 1011.71, Florida Statutes. See "AD VALOREM TAX PROCEDURES - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes – Further Reduction in Local Option Millage Levy" herein.
- (4) Used to pay debt service on the District's outstanding General Obligation Bonds. See "THE SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA - Indebtedness" herein.

The School Board levies each year a non-voted, real and tangible personal property tax millage, known as the "Local Option Millage Levy," for capital outlay and maintenance purposes. Currently, this levy may be up to 1.50 mills, except as provided below (for Fiscal Year 2008/09 the maximum Local Option Millage Levy was 1.75 mills and was 2.00 mills in prior Fiscal Years), for costs of construction, renovation, remodeling, maintenance and repair of educational plant; for the purchase, lease or lease-purchase of equipment, educational plants, and construction materials directly related to the delivery of student instruction; for the rental or lease of existing buildings, or space within existing buildings, originally constructed or used for purposes other than education, for conversion to use as educational facilities; for the opening day collection for the library media center of a new school; for the purchase, lease-purchase or lease of school buses; and for servicing of payments related to certificates of participation. The District levied 2.0 mills in Fiscal Years 2006/07 and 2007/08 and 1.75 mills in Fiscal Years 2008/09 and 1.50 mills in Fiscal Year 2009/10. Pursuant to a change in applicable law (see "- Recent Legislative Initiatives and Constitutional Amendments Relating to Ad Valorem Taxes" below), and except as described in the next paragraph, the District is currently limited to levying a Local Option Millage Levy of 1.50 mills. The School Board is not required to levy any millage for capital outlay purposes in the future, but did levy 1.50 mills for Fiscal Year 2011/12 and is levying 1.50 mills for Fiscal Year 2012/13. The receipts of the Local Option Millage Levy are not pledged to, or available for, the payment of the Notes.

In the event that revenues generated from the Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating levy may be used to make lease payments. Additionally, if the revenues generated from 1.50 mills is insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2009 or to meet other critical capital needs, a school board may elect to levy up to 0.25 mills for capital purposes in lieu of a like amount of discretionary operating millage. Such legislation further authorizes district school boards, by a super majority vote, to levy an additional 0.25 mills for critical capital outlay needs or for critical operating needs. The District levied 0.25 mills for such purposes in Fiscal Year 2010-11. In order for a school district to continue this levy after the 2010/11 Fiscal Year, the levy was required to be approved by the voters of such school district in the 2010 general election. Such voter approval only authorized the levy for an additional two-year period. The voters of the District approved the continuation of such levy in the 2010 general election. Accordingly, the District levied 0.25 mills for critical operating needs for Fiscal Year 2011/12 and is levying 0.25 mills for critical operating needs for Fiscal Year 2012/13. The revenue from such levy are available for payment of the Notes. See "- Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" below.

Ad valorem tax receipts for capital and maintenance purposes decreased from \$21.8 million in Fiscal Year 2010/11 to \$20.5 million (unaudited) in Fiscal Year 2011/12. The District has budgeted approximately \$19.5 million of ad valorem tax receipts for capital and maintenance purposes for Fiscal Year 2012/13.

In addition to the School Board levies, qualified electors, by referendum, may vote an additional millage levy for operational and capital outlay purposes, as prescribed by the Florida Constitution and applicable statutes. Before a school district may issue general obligation bonds, qualified electors within the district must approve a millage levy to pay the principal of and interest on such bonds. The School Board levied 0.33 mills in Fiscal Year 2010/11, 0.35 mills in Fiscal 2011/12 and is levying 0.39 mills in Fiscal Year 2012/13 for payments of debt service on its outstanding general obligation bonds. Additionally, the School Board chose, pursuant to authority granted in Section 1011.71(9), Florida Statutes, to seek voter approval in an August 2012 special election for the levy of up to an additional 0.60 mills for operating purposes for a period of four years, commencing with Fiscal Year 2013-14. The voters in the County approved such levy.

The School Board also receives educational facilities impact fees which are levied and collected by the County for all new residential construction in the County. The School Board received \$278,711 in educational facilities impact fees for the 2009/10 Fiscal Year, \$331,751 for the 2010/11 Fiscal Year and \$409,548 (unaudited) for the 2011/12 Fiscal Year. The School Board is not budgeted to receive any educational

impact fee revenues for Fiscal Year 2012/13. The educational facilities impact fees are not pledged to or available to make payments on the Notes.

State Revenue Sources

Operating Revenue. The three primary sources of educational funding from the State are (i) basic Florida Educational Finance Program ("FEFP") receipts, (ii) FEFP categorical program receipts, and (iii) certain other specified revenue sources.

The major portion of State support is distributed under the provisions of the FEFP, which was enacted by the Florida Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent student ("FTE") basis using a formula that takes into account varying program cost factors and district cost differentials. The program cost factors which are used to determine the level of each school district's FEFP funding are determined by the Florida Legislature. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in variables comprising the weighing formula. In addition, the level of State funding is adjusted during each year to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in the County. General Fund receipts from FEFP were \$7.9 million for the 2009/10 Fiscal Year (inclusive of \$5.9 million of State Stabilization Funds provided pursuant to the Recovery Act (defined below)), \$6.2 million for the 2010/11 (inclusive of \$5.8 million of State Stabilization Funds provided pursuant to the Recovery Act), and \$8.1 million (unaudited) for Fiscal Year 2011/12. General Fund FEFP revenues are budgeted at \$13.6 million for Fiscal Year 2012/13.

FEFP categorical program receipts are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each district. Among the larger categorical programs are the programs for school bus transportation and instructional material. Allocations for these categorical appropriations are based on funding formula and discretionary State Department of Education grants. The majority of the funds available require actual appropriation by the School Board for the purposes for which they were provided. Total State categorical aid increased from \$18.8 million for the 2009/10 Fiscal Year to \$26.5 million for the 2010/11 Fiscal Year. FEFP categorical receipts were approximately \$28.8 million (unaudited) for the 2011/12 Fiscal Year. Of such amount, approximately \$19.6 million was dedicated to fund a portion of the costs related to the Class Size Legislation described herein under "REVENUES OF THE DISTRICT- Constitutional Amendments Related to Class Size Reduction." FEFP categorical receipts are budgeted to be approximately \$34.0 million for Fiscal Year 2012/13, of which \$_____ million is Class Size Reduction Funds.

The District also receives additional State educational funding from a variety of miscellaneous State programs. These sources include State mobile home license tax revenues and the Florida State Lottery.

State Budget Cuts. As a result of declining State revenues operating revenues from the State to the District were reduced by over \$[4.5] million over the three fiscal years ended June 30, 2012. On March 9, 2012, the Florida Legislature passed the State Budget for fiscal year 2012/13. Included in the adopted budget is a \$597 million increase in State education funding compared to fiscal year 2011/12. However, taking into account Federal Education Jobs funds carried-forward from the 2010/11 fiscal year and used in the 2011/12 fiscal year to make up for the recent decreases in State education funding, the overall increase in funding for education in the State for fiscal year 2012/13 is approximately \$42 million. With such increase in State Funding, the District expects a net increase of approximately \$___ in overall funding per student.

Capital Outlay. State capital outlay revenues available to the District were \$1.1 million or approximately 4.1% of the District's total capital outlay revenues for Fiscal Year 2010/11. State capital outlay revenues available to the District were \$1.8 million or approximately 7.3% of the District's total capital outlay revenues for Fiscal Year 2011/12. State capital outlay revenues available to the District were \$___ million or approximately ___% of the District's total capital outlay revenues for Fiscal Year 2012/13.

The primary source of State educational funding contributions to the District's capital outlay requirements is the Florida Public Education Capital Outlay program ("PECO"). The method of allocation of funds to the district school boards is provided by state law based upon a statutory formula, components of which are the number of students in various districts and the proposed uses of the funds by the various districts. The Commissioner of Education administers the PECO program and allocates or reallocates funds as authorized by law. Under PECO, the State distributed approximately \$294.965 million in Fiscal Year 2009/10 and approximately \$824,916 for the 2010/11 Fiscal Year. [The District did not receive any PECO funds in Fiscal Year 2011/12 and is not budgeted to receive any PECO funds in Fiscal Year 2012/13.]

The District also receives motor vehicle license revenues, also known as capital outlay and debt service ("CO&DS") funds. CO&DS funds can be used to make lease-purchase payments, but only if the lease-purchase facility appears on the project priority list (the "PPL") approved by the State Board of Education. The District received \$672,673 of CO&DS funds in Fiscal Year 2010/11 and \$672,024 (unaudited) of CO&DS funds in Fiscal Year 2011/12. Funds in the amount of \$590,587, and \$593,238 were withheld from the allocations in Fiscal Year 2010/11 and Fiscal Year 2011/12, respectively, to repay bonds issued by the State and secured by such revenues. For Fiscal Year 2012/13, the District is budgeted to receive \$[68,705] in CO&DS funds and expects to have \$_____ withheld to repay bonds issued by the State.

On November 24, 1997, the Governor of the State of Florida signed into law a bill creating the "Public School Capital Outlay Program Act" (the "Act"). Among the several programs established by the Act is the "Classrooms First Program," which provides for the issuance by the State of revenue bonds, the proceeds of which will be distributed to the various school districts based upon a formula similar to the formula used in allocating PECO funds. The proceeds of such revenue bonds must be applied by a school district for new construction, remodeling, renovation or major repairs, with a priority on construction of new, permanent classroom Facilities. If a school district certifies that it has no unmet need for permanent classroom Facilities or if its unmet needs are less than its proposed allocation of the revenue bond proceeds, it may choose to receive an annual distribution of state lottery revenues in lieu of all or a portion of its allocation of state bond proceeds. Such annual distribution must be used to construct, renovate, remodel, repair or maintain educational Facilities. In addition, in order to receive any of such state funds, a school district must fully utilize state bonding capacity relating to its CO&DS funds allocation. In order to continue participation in the Classrooms First Program, the District may be required to utilize additional state bonds payable from CO&DS funds in the future. The District received \$6,405,000 in funds from the issuance of additional State bonds in 2005, approximately \$1,210,000 in funds from the issuance of additional State bonds in 2008 and \$160,000 in funds from the issuance of additional state bonds in 2010.

The District also received approximately \$5.17 million in Fiscal Year 2008/09 under the Class Size Reduction Lottery Revenue Bond Program, but did not receive any funds under such program in Fiscal Year 2009/10 [or any subsequent year]. Funds under the Class Size Reduction Lottery Revenue Bond Program are generated from the sale of State lottery bonds and are distributed to the various school districts based upon a formula similar to the formula used in allocating the PECO funds. Such funds may be used by a school district for any new capital projects that are not included in such school district's then current five-year capital plan.

Under the Act the District may be entitled to receive other state revenues pursuant to other programs if the District achieves certain standards relating to its capital outlay efforts. It is not possible at this time to determine or estimate the amount of such state revenues, if any, that the District may receive in the future.

Special Revenue Sources

The District also receives certain local, state and federal moneys, substantially all of which are restricted for specific programs. Programs funded with these special revenue sources in the past include school food service operations and programs financed through the Educational Handicapped Act, the Education Consolidation and Improvement Act and other federally financed programs.

Constitutional Amendments Related to Class Size Reduction

Amendment 9 to the State Constitution requires that the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010/11 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9, are referred to herein as the "Class Size Legislation."

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Such legislation generally provided for a phased-in compliance which would be determined on a school-by-school basis through and including Fiscal Year 2009-10, with final compliance on an individual classroom basis beginning in Fiscal Year 2010-11. In the event a school district is not in compliance with such requirements, the legislation provides that the State shall reduce categorical funds due to such school district for operational purposes.

The Class Size Legislation further created an "Operating Categorical Fund for Class Size Reduction," the "Classroom for Kids Program," the "District Effort Recognition Grant Program" and the "Class Size Reduction Lottery Revenue Bond Program" to provide funding programs for capital outlays and operating expenditures necessary in relation to these mandated class size reductions.

The Class Size Legislation requires each school board to consider implementing various policies and methods to meet these constitutional class sizes, including encouraging dual enrollment courses, encouraging the Florida Virtual School, maximizing instructional staff, reducing construction costs, using joint-use facilities, implementing alternative class scheduling, redrawing attendance zones, implementing evening and multiple sessions and implementing year-round and non-traditional calendars.

Through Fiscal Year 2009-10, the District complied with the requirements of the Class Size Legislation which was based on the average class size at each school. Beginning in Fiscal year 2010-11, the requirements were based on the number of students in each individual classroom. As of the October 2012 Survey, the week during which DOE determines compliance with class size maximums, the District had 100% of the classrooms in compliance. Accordingly, the District is in compliance with the requirements of the Class Size Legislation.

In the November 5, 2002, general election, the voters of the State of Florida also approved Amendment 8 to the State Constitution which provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State no later than the 2005 school year. In furtherance thereof, Section 411.012, Florida Statutes, created a voluntary universal pre-kindergarten

education program for four-year olds within the Agency for Workforce Innovation and directed the State Board of Education to conduct a study and make recommendations for this education program regarding curriculum and standards, quality of instruction, delivery system, assessment and evaluation, funding and best practices.

During the 2004-A special session, the Florida Legislature passed House Bill 1-A, codified in Part V of Chapter 1002, Florida Statutes, which creates a statewide Voluntary Pre-kindergarten Education Program. House Bill 1-A, as codified in Part V, Chapter 1002, Florida Statutes, is referred to herein as the "Pre-K Legislation." Among other things, the Pre-K Legislation provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year pre-kindergarten ("Pre-K") program delivered by a private Pre-K provider, a summer program delivered by a public school or private Pre-K provider or, if offered in a school district that meets class-size reduction requirements, a school year Pre-K program delivered by a public school. The Pre-K Legislation also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, the Pre-K Legislation appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K program provider.

The Pre-K Legislation provides State funding for the Pre-K programs. The District has approximately 156 students in its Pre-K Program.

AD VALOREM TAX PROCEDURES

Property Assessment

No ad valorem taxes may be levied by the State upon real estate or tangible personal property. Such taxes may be levied only by counties, school districts, municipalities and certain special districts. For all purposes, real and personal property valuation is determined as of January 1, each year, by the County appraiser. Except as noted below, all taxable real and tangible personal property must be assessed at 100% of fair market value.

The following uses of real property are generally exempt from ad valorem taxation: religious, educational, charitable, scientific, literary and governmental. In addition, there are special exemptions for widows, hospitals, homesteads, working waterfronts and homes for the aged and disabled veterans. In particular, pursuant to Article VII, Section 6 of the Constitution and Section 196.031, Florida Statutes, the first \$25,000 of the assessed valuation of a homestead is exempt from taxation for any person who has title to a residence in such homestead on a permanent basis. Further, agricultural land, non-commercial recreational land, inventory and livestock are assessed at less than 100% of fair market value.

In the November 7, 2006 general election, the voters of Florida approved Amendments 6 and 7 to the State Constitution, which provided for an increase in the homestead (ad valorem tax) exemption to \$50,000 from \$25,000 for certain low-income seniors effective January 1, 2007 and provided a discount from the amount of ad valorem taxes for certain permanently disabled veterans effective December 7, 2006, respectively. The extent to which these amendments may affect the ad valorem tax collections of the District in future years is not currently known.

Additionally, in the January 29, 2008 special election, the voters of the State also approved an additional homestead exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead for property with an assessed value equal or greater than \$75,000. However, this exemption does not apply to school district taxes.

By voter referendum held on November 2, 1992, Article VII, Section 4 of the Florida Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes" amendment. The effective date of the amendment was January 1, 1995. Studies have been conducted analyzing the effect of this amendment on property values and tax collections in Florida since its effective date. Such studies conclude that while the assessed values of homestead property within the State have been lower due to the amendment, the impact on total property tax revenues for local governments within the State has been small due to growth in the total property tax base and the property tax revenues received with respect to non-homestead property. There is no assurance that such revenues will not be materially adversely affected in the future. See "- Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" herein for information concerning recently passed legislation that may affect the Save Our Homes amendment.

Florida law requires that all real and personal property be assessed at its just or fair market value. No ad valorem taxes may be levied by the State upon real estate or tangible personal property. Such taxes may be levied only by counties, school districts,

municipalities and certain special districts. Railroad properties are centrally assessed at the State level.

Real property used for the following purposes is generally exempt from ad valorem taxation: religious, educational, charitable, scientific, literary, and governmental. In addition, there are special exemptions for widows, hospitals, homesteads, and homes for the aged and disabled veterans. Agricultural land, non-commercial recreational land, inventory, and livestock are assessed at less than 100% of fair market value.

Procedure for Property Assessment. The Property Appraiser of Indian River County (the "Property Appraiser") determines property valuation on real and tangible personal property as of January 1 of each year. The Property Appraiser determines the valuation of all real and personal property by July 1 of each year and notifies the County, the District, each municipality, and each other legally constituted special taxing district as to its just valuation, notes the legal adjustments and exemptions and the taxable valuation. The taxable valuation is then used by each taxing body to calculate its ad valorem millage for the budget year. Each taxing body must advertise its budget, stating the proposed millage and hold public hearings on such budgets. Final budgets are determined by each taxing body, and the millage is certified to the Property Appraiser by October 1.

Concurrently, the Property Appraiser notifies each property owner of the proposed valuation and the proposed millage on such property. If the individual property owner believes that his or her property has not been appraised at fair market value, the owner may file a petition with the Clerk of the Property Appraisal Adjustment Board (the "Adjustment Board"). The Adjustment Board consists of members of the County Commission and members of the Board. The Adjustment Board holds public hearings on such petitions and may make adjustments to the valuations made by the Property Appraiser, if such valuations were found not to be fair and at market value. The decision of the Adjustment Board may be appealed to the Circuit Court. The Adjustment Board must certify its decision with regard to all petitions and certify to the Property Appraiser the valuation to be used. These changes are then made to the final tax roll.

In 2011, the Florida Legislature created Section 194.014, Florida Statutes, which requires that taxpayers appealing the assessed value or assigned classification of their property must make a required partial payment of taxes (generally equal to 75% of the ad valorem taxes due, less the applicable statutory discount, if any) with respect to properties that will have a petition pending on or after the delinquency date (normally April 1). The statute further provides that a taxpayer's failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer's petition.

The Property Appraiser applies the final certified millage of each taxing body to the assessed valuation on each item of real and tangible personal property, and prepares the final tax roll which he certifies to the County Tax Collector by October 1. This permits the printing of tax bills for delivery on November 1 of each year. The tax bills contain all of the overlapping and underlying millages set by the various taxing bodies, so that all ad valorem taxes are collected by the County Tax Collector and distributed to the various taxing bodies.

Procedure for Tax Collection. All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. The Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the County, the School Board, and other taxing authorities. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which taxes were levied. All taxes collected are remitted by the County to the governmental unit levying the taxes. (See "Disposition of Tax Collections".)

Delinquent real property taxes bear interest at the rate of eighteen percent (18%) per year from April 1 until a tax certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the tax certificate. Delinquent tangible personal property taxes also bear interest at the rate of eighteen percent (18%) per year from April 1 until paid. Delinquent personal property taxes must be advertised within forty-five (45) days after delinquency, and after May 1, the property is subject to warrant, levy, seizure and sale.

Florida law provides that real property tax liens are superior to all other liens and that personal property tax liens are superior to all other liens, except prior United States Internal Revenue Service liens. The Tax Collector advertises once each week for four weeks and sells tax certificates on or before June 1 of each year on all real property with taxes due. Delinquent Tax Certificates not sold at auction revert to the County.

Disposition of Tax Collections

Section 200.001, Florida Statutes, provides, in effect, that county tax millages shall consist of four components: (a) general millage, (b) debt service millage, (c) voted millage, and (d) dependent special district millage. Section 197.0124, Florida Statutes, requires the Tax Collector to distribute taxes collected to each taxing authority four times per month during the first two months after the tax roll comes into its possession and once per month thereafter.

The School District is levying a total millage of 8.313 mills for Fiscal Year 2012/2013. The levy includes 6.423 mills for general operations, 0.39 mills for debt service and 1.50 mills for capital projects. The following table shows the tax collections of the District for the last five years.

**School District of Indian River County, Florida
Tax Collections
For Fiscal Years 2006 - 2011**

	2007 Taxes FY 07-08 <u>Audited</u>	2008 Taxes FY 08-09 <u>Audited</u>	2009 Taxes FY 09-10 <u>Audited</u>	2010 Taxes FY 10-11 <u>Audited</u>	2011 Taxes FY 11-12 <u>Unaudited⁽¹⁾</u>
General Fund	\$ 94,914,174	\$ 88,841,099	\$ 93,743,085	\$ 93,341,422	\$ 86,115,462
Debt Service Fund	4,860,904	4,954,263	4,850,280	4,794,074	4,613,429
Capital Outlay Fund	<u>36,012,340</u>	<u>31,012,471</u>	<u>24,274,807</u>	<u>21,816,243</u>	<u>20,285,724</u>
Total Collected	\$135,787,418	\$124,807,833	\$122,868,172	\$119,951,739	\$111,014,615
% Collected	96.74%	96.29%	96.24%	96.94%	95.88%

(1) Through June 30, 2012

Source: School District of Indian River County

Assessed Valuation

The following table shows the assessed value and taxable value for operating millages in each of the past ten years. No single taxpayer in the County pays as much as ten percent (10%) of the total ad valorem taxes levied.

**School District of Indian River County, Florida
Just and Taxable Value of Taxable Property**

Fiscal Year Ended	Real Property Just Value	Personal Property Just Value	Total Just Value ⁽¹⁾	Total Taxable Value	Percent of Total Taxable Value to Total Just Value
2003	11,975,902,750	694,305,280	12,679,434,232	9,530,620,283	75.1
2004	13,534,323,150	693,374,322	14,240,720,350	10,717,793,063	75.3
2005	15,705,282,117	699,716,008	16,416,179,277	12,222,585,880	74.5
2006	19,253,494,827	712,011,582	19,977,045,580	14,279,412,670	71.5
2007	25,447,211,057	755,187,275	26,214,228,265	17,885,105,074	68.2
2008	25,141,630,059	782,529,196	25,937,926,930	18,620,780,021	74.1
2009	24,122,080,860	739,467,578	24,881,555,781	18,328,611,920	76.0
2010	21,258,018,675	761,011,306	22,034,192,151	16,701,824,363	75.6
2011	17,317,035,896	652,541,286	17,979,055,919	14,044,332,671	78.1
2012	16,567,641,805	631,530,599	17,211,397,637	13,515,321,926	78.5

(1) Includes Centrally Assessed Property.

Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes

Constitutional amendments related to ad valorem exemptions. On January 29, 2008, in a special election held in conjunction with Florida's presidential primary, the requisite number of voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain provisions contained in the approved amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. **This exemption does not apply to school district taxes.**

2. Permits owners of homestead property to transfer up to \$500,000 of their "Save Our Homes" benefit to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then the assessed value of the new homestead property shall equal the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. The Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation. See "AD VALOREM TAX PROCEDURES - Property Assessment" herein for information relating to the Save Our Homes assessment cap. **This exemption applies to all taxes, including school district taxes.**

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax. **This exemption applies to all taxes, including school district taxes.**

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10 year period, subject to extension by an affirmative vote of electors. **This limitation does not apply to school district taxes.**

The amendments were effective for the 2008 tax year (2008-2009 fiscal year for local governments). While certain members of the Florida Legislature publicly indicated that they would seek to replace the ad valorem revenues lost by school districts with other revenue sources, the Florida Legislature approved significant budget cuts for education during recent sessions. See "REVENUES OF THE DISTRICT – State Revenue Sources – State Budget" herein.

From time to time over the last few years, the Save Our Homes assessment cap and portability provision described above have been subject to legal challenge. The plaintiffs in such cases have generally argued that the Save Our Homes assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution's Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution and that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions. However, there is no assurance that any future challenges to such provisions will not be successful. Any potential impact on the District or its finances as a result of such challenges cannot be ascertained at this time.

Exemption for Deployed Military Personnel. In the November 2010 General Election voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. This constitutional amendment took effect on January 1, 2011.

Ad Valorem Taxation Proposals. During its 2011 regular session, the Legislature of the State passed a resolution proposing several constitutional amendments relating to ad valorem taxation or which otherwise may affect school district finances. Among other things, these proposals seek to prohibit the increase of assessed value for property whose fair market value declined over the prior year, reduce the limitation on annual increases of non-homestead property from 10% to 5% for all levies other than school district levies and provide an additional homestead exemption for first-time homeowners in an amount initially equal to 50% of homestead property's just value, subject to reduction of 20% or more each year over a 5 year period. All of such proposals require approval by 60% of the voters in the 2012 general election. At present, the impact of any such proposals on the District's finances cannot be accurately ascertained.

Limitations on State Revenue Amendment. In its 2011 regular session, the Florida Legislature passed a resolution which (1) replaces the existing state revenue limitation based on State personal income growth with a new state revenue limitation based on changes in population and inflation; (2) requires excess revenues to be deposited into the Budget Stabilization Fund to support public education or to return to taxpayers; (3) adds fines and revenues used to pay debt service on bonds issued after July 1, 2012 to the state revenues subject to the limitation; (4) authorizes the Florida Legislature to increase the revenue limitation by a supermajority vote; and (5) authorizes the Florida Legislature to place a proposed increase before the voters, which would require approval of 60% of the voters. The proposal will be on the ballot in the 2012 general election. If approved by 60% of the voters, the new state revenue limitation is more likely to constrain state

revenues than the current state revenue limitation; however, the potential impact on the District or its finances cannot be ascertained at this time.

There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

Reduction in Local Option Millage Levy. During the 2008 session, the Florida Legislature amended Section 1011.71(2), Florida Statutes, to reduce the maximum millage rate that school districts may levy for capital outlay and maintenance purposes (referred to in this Official Statement as the Local Option Millage Levy) from 2.0 mills to 1.75 mills commencing in fiscal year 2008-2009. In conjunction with such reduction, the State's Commissioner of Education increased the amount of the required local effort for each school district in the State, which resulted in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes.

Further Reduction in Local Option Millage Levy. Section 1011.71, Florida Statutes, was amended in the recent years to provide for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009 for the 2009-2010 fiscal year (however, see – "Legislation Waiving 75% Limitation on use of Local Option Millage Levy" below for information regarding an amendment to this provision); and (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into prior to June 30, 2009 or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act.

Legislation Waiving 75% Limitation on use of Local Option Millage Levy. During the 2012 regular legislative session, Section 1011.71, Florida Statutes, was further amended to indefinitely allow a waiver of the three-fourths limit on the use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009. Previously, such waiver was only authorized for the 2009-10 Fiscal Year (as described in clause (ii) of the preceding paragraph). Such legislation became effective as of July 1, 2012.

LITIGATION

In the opinion of Brown Garganese Weiss & D'Agresta, P.A., General Counsel to the District, there is no litigation now pending or threatened (i) to restrain or enjoin the issuance or sale of the Notes; (ii) questioning or affecting the validity of the Notes, the Resolution or the pledge by the District under the Resolution; or (iii) questioning or

affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Notes.

The District is involved in certain litigation and disputes incidental to its operations. Upon the basis of information presently available, Brown Garganese Weiss & D'Agresta, P.A., General Counsel believes that there are substantial defenses to such litigation and disputes and that, in any event, ultimate liability in excess of applicable insurance coverage, resulting therefrom, will not materially adversely affect the financial position or results of operations of the District.

NOTEHOLDER'S RISK

The District has prepared an operating budget and set a millage rate it anticipates will be sufficient to pay all expenses incurred in operating the District's schools. Although Florida Statutes require the District to adopt a balanced budget, in the event expenditures exceed the amount budgeted therefore or the delinquency on tax payments exceeds that of previous years, the Notes and/or the interest thereon may not be paid in full at maturity.

In particular, the adequacy of the Pledged Revenues to provide for repayment of the Notes depends upon (1) the ability of taxpayers in Indian River County to pay the ad valorem taxes levied in 2012, (2) the percentage of collection of ad valorem taxes for the 2012/2013 Fiscal Year, (3) the receipt by the District of the federal and State funds upon which it depends, in part, for the funding of its operations for the current year, and (4) the absence of the need for extraordinary, unforeseen expenditures during the 2012/2013 Fiscal Year. These matters are largely dependent upon factors beyond the control of the District, and any adverse developments with respect to these or other factors could affect the ability of the District to pay the principal of and interest on the Notes.

FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report of Indian River County Public Schools, Florida, as of June 30, 2011 and for the year ended, excerpted pages of which are appended hereto as Appendix B as part of this Official Statement have been audited by the Office of the Auditor General of the State of Florida. as set in its report dated December 16, 2011, which report is also appended hereto.

The Annual Financial Report (unaudited) of the School District of Indian River County, Florida for the fiscal year ended June 30, 2012 and for the year ended, is also appended hereto as Appendix C as part of this Official Statement. The figures in such report are not audited and are subject to change during the auditing process.

UNDERWRITING

The Notes are being purchased by _____ (the "Underwriter") at an aggregate purchase price of \$_____ (which consists of the par amount of the Notes, plus a note premium of \$_____ and less an Underwriter's discount of \$_____). The offer of the Underwriter to purchase the Notes provides for purchase of all of the Notes if any are purchased.

The Underwriter may offer to sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

The District has retained Ford & Associates, Inc., Tampa, Florida, as financial advisor (the "Financial Advisor") with respect to the issuance and sale of the Notes. The Financial Advisor assisted in matters relating to the planning, structuring, and issuance of the Notes, and has provided additional advice. The Financial Advisor is not obligated to undertake nor has undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

NOTE RATING

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "____" to the Notes. An explanation of the significance of the ratings may be obtained only from Moody's at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. There is no assurance that the rating will be in effect for any given period of time or that it will not be revised downward, suspended or withdrawn entirely by Moody's if in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of the rating given the Notes may have an adverse effect on the liquidity or market of the Notes.

TAX EXEMPTION

Opinion of Note Counsel

In the opinion of Note Counsel, the form of which is included as APPENDIX E hereto, under existing statutes, regulations, rulings and court decisions, the interest on the Notes is (a) excludable from gross income of the owners thereof and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on

individuals and corporations. However, interest on the Notes is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the School Board to comply subsequent to the issuance of the Notes with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Notes to become includable in gross income for federal income tax purposes retroactive to their date of issue. The School Board has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Notes for purposes of federal income taxation. In rendering this opinion, Note Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Notes, including among other things, restrictions relating to the use of investment of the proceeds of the Notes and the payment of certain arbitrage earnings in excess of the "yield" on the Notes to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Notes being included in gross income for federal income tax purposes retroactive to their date of issue.

Financial Institutions

Banks and thrift institutions are generally unable to deduct any portion of the interest expense allocable to purchasing or carrying tax-exempt obligations (except "qualified tax-exempt obligations") if such interest costs are incurred in taxable years ending after December 31, 1986, with respect to bonds after August 7, 1986. An exception is provided for "qualified tax exempt obligations" specifically designated as such by the issuer. The School Board has not designated the Notes as qualified tax-exempt obligations under Section 265(b)(3) of the Code.

Collateral Tax Consequences

Except as described above, Note Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Notes. Prospective purchasers of Notes should be aware that the ownership of Notes may result in other collateral federal tax consequences. For example, ownership of the Notes may result in collateral tax consequences to various types of corporations relating to (1) the branch profits tax, (2) the environmental tax, and (3) the inclusion of interest on the Notes in passive income for certain Subchapter S corporations. In addition, the interest on the Notes may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE NOTES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE NOTEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE NOTEHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Notes may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Notes should consult their own tax advisors as to the income tax status of interest on the Notes in their particular state and local jurisdictions.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Notes. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alterations of federal tax consequences may have affected the market value of obligations similar to the Notes. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Notes and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Notes.

Tax Treatment of Note Premium

The Notes were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a note over the amount payable at maturity or earlier call date is generally characterized as "note premium." For federal income tax purposes, a portion of the note premium on the Notes in each taxable year will reduce the cost basis of the owner thereof (i.e. be amortized), but may not be deducted. The amount of amortizable note premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. Special rules apply in the case of an owner who holds a Note as inventory, stock in trade or for sale to customers in the ordinary course of business.

Owners of Notes should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the annual amount of amortizable note premium, the treatment of such note premium upon the sale or other disposition of Notes and with respect to the state and local tax consequences of owning and disposing of Notes.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Notes are subject to an approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Note Counsel, whose approving opinion (a form of which is attached hereto as APPENDIX E) will be available at the time of delivery of the Notes. The actual legal opinion to be delivered by Note Counsel may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Note Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date. Certain legal matters will be passed on for the School Board by its General Counsel, Brown, Garganese, Weiss & D'Agresta, P.A., Orlando, Florida.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that the District make a full and fair disclosure of any bonds or other debt obligations of such entity that have been in default as to principal or interest at any time after December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the District, and certain additional financial information, unless the District believes in good faith that such information would not be considered material by a reasonable investor. The District is not and has not been in default on any bond issued since December 31, 1975 which would be considered material by a reasonable investor.

CONTINGENT FEES

The School Board has retained Note Counsel and the Financial Advisor, with respect to the authorization, sale, execution and delivery of the Notes. Payment of each fee of such professionals is each contingent upon the issuance of the Notes.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Noteholders to provide notices of the occurrence of certain enumerated material events. Such covenant shall only apply so long as the Notes remain outstanding under the Resolution. The covenant shall also cease upon the termination of the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administration action. The notices of

material events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access System described in the Form of the Continuing Disclosure Certificate attached hereto as APPENDIX F. The specific nature of the notices of material events are described in "APPENDIX F - Form of Continuing Disclosure Certificate," which shall be executed by the District at the time of issuance of the Notes. These covenants have been made in order to assist the Underwriter in complying with the Rule. Because the Notes mature in less than 18 months, the District is not required to provide any other information other than notices of material events pursuant to the Rule. In the past five years, the District has not failed to comply with any prior undertakings pursuant to the Rule.

MISCELLANEOUS

The information contained above is subject to change without notice and no implication is to be derived therefrom or from the sale of the Notes that there has been no change in the affairs of the District from the date hereof.

The Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or the holders of any of the Notes.

Further information regarding the District is available upon request from Mr. Carter Morrison, Assistant Superintendent for Finance/Operations, 1990 25th Street, Vero Beach, Florida 32960, (772) 564-3180; and/or Mr. Jerry Ford, Ford & Associates, Inc., 109 South MacDill Avenue, Tampa, Florida 33609-3128, (813) 874-6621, Financial Advisor to the District.

[Remainder of page intentionally left blank]

CERTIFICATE CONCERNING THIS OFFICIAL STATEMENT

Concurrently with the delivery of the Notes, the Chairman of the School Board and the Superintendent will furnish a certificate to the effect that, to the best of their knowledge, this Official Statement (except for the information under the caption "BOOK-ENTRY SYSTEM ONLY" as to which no opinion will be expressed), as of the date of delivery of the Notes, does not contain any untrue statement of a material fact and does not omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances for which they were made, not misleading.

**SCHOOL DISTRICT OF INDIAN RIVER
COUNTY, FLORIDA**

By: _____
Chairman

By: _____
Superintendent

APPENDIX A

**GENERAL INFORMATION REGARDING
INDIAN RIVER COUNTY, FLORIDA**

APPENDIX B

**EXCERPTED PAGES FROM THE COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE SCHOOL DISTRICT OF INDIAN RIVER COUNTY,
FLORIDA FOR THE FISCAL ENDED JUNE 30, 2011**

APPENDIX C

**EXCERPTED PAGES FROM THE ANNUAL FINANCIAL REPORT
(UNAUDITED)
OF THE SCHOOL DISTRICT OF INDIAN RIVER COUNTY, FLORIDA
FOR THE FISCAL ENDED JUNE 30, 2012**

APPENDIX D
FORM OF RESOLUTION

APPENDIX E
FORM OF LEGAL OPINION

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the School District of Indian River County, Florida (the "Issuer") in connection with the issuance of its \$12,000,000 Tax Anticipation Notes, Series 2012 (the "Notes"). The Notes are being issued pursuant to Resolution #2013-05 adopted by The School Board of Indian River County, Florida, as governing body of the Issuer, on October 9, 2012 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and in order to assist the original underwriters of the Notes in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 2. REPORTING SIGNIFICANT EVENTS. The Issuer shall provide to the Municipal Securities Rulemaking Board (the "MSRB") and to any State Information Depository that is created in the State of Florida and with which the Issuer is legally required to file the information set forth herein (the "SID"), if any, on a timely basis not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events, if such event is material with respect to the Notes or the Issuer's ability to satisfy its payment obligations with respect to the Notes; provided, however, to the extent the Issuer has provided notice of any such event to a dissemination agent pursuant to any other undertaking executed by the Issuer in accordance with the Rule, the Issuer's obligations as set forth in this Section 2 shall be deemed to be satisfied:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancement reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the Notes, or other material or events affecting the tax status of the Notes;
- (G) Modifications to rights of Noteholders;

- (H) Calls on the Notes;
- (I) Tender offers with respect to the Notes;
- (J) Defeasance of the Notes;
- (K) Release, substitution, or sale of property securing repayment of the Notes;
- (L) Rating changes;

(M) Bankruptcy, insolvency, receivership or similar event of the Issuer (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);

(N) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(O) Appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer may from time to time, in its discretion, choose to provide notice of the occurrence of certain other events, in addition to those listed in this Section 2, if, in the judgment of the Issuer, such other events are material with respect to the Notes, but the Issuer does not specifically undertake to commit to provide any such additional notice of the occurrence of any material event except those events listed above.

Whenever the Issuer obtains knowledge of the occurrence of a significant event described in this Section 2, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities law to holders of Notes, provided, that any event under clauses (A), (C), (D), (E), (F), (I), (J), (L) or (M) above will always be deemed to be material.

SECTION 3. SUBMISSION OF INFORMATION TO THE MSRB.

The information required to be disclosed pursuant to Sections 2 of this Disclosure Certificate shall be submitted to the MSRB through its Electronic Municipal Market

Access system ("EMMA"). Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format ("PDF") files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Issuer, or any dissemination agent engaged by the Issuer pursuant to Section 6 hereof, shall also provide to the MSRB information necessary to accurately identify:

- (A) the category of information being provided;
- (B) the period covered by the CAFR and any additional financial information and operating data being provided;
- (C) the issues or specific securities to which such submission is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);
- (D) the name of any Obligated Person other than the Issuer;
- (E) the name and date of the document being submitted; and
- (F) contact information for the submitter.

SECTION 4. NO EVENT OF DEFAULT. Notwithstanding any other provision in the Resolution to the contrary, failure of the Issuer to comply with the provisions of this Disclosure Certificate shall not be considered an event of default under the Resolution; provided, however, to the extent allowable by law, any Noteholder may take such actions as may be necessary and appropriate, including pursuing an action for mandamus or specific performance, as applicable, by court order, to cause the Issuer to comply with its obligations hereunder. For purposes of this Disclosure Certificate, "Noteholder" shall mean any person who (A) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (B) is treated as the owner of any Note for federal income tax purposes.

SECTION 5. INCORPORATION BY REFERENCE. Any or all of the information required herein to be disclosed may be incorporated by reference from other documents, including official statements or debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each document incorporated by reference.

SECTION 6. DISSEMINATION AGENTS. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor disseminating agent.

SECTION 7. TERMINATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon (A) the defeasance or payment in full of all of the Notes, or (B) the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 8. AMENDMENTS. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision may be waived, if such amendment or waiver is supported by an opinion of counsel familiar in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any notices of the occurrence of significant events other than those events set forth in Section 2, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to provide notice of the occurrence of a significant event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in its future annual information or notice of occurrence of a significant event.

SECTION 10. OBLIGATED PERSONS. If any person, other than the Issuer, becomes an Obligated Person (as defined in the Rule) relating to the Notes, the Issuer shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

_____, 2012

**SCHOOL DISTRICT OF INDIAN RIVER
COUNTY, FLORIDA**

By: _____
Superintendent

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RETAINAGE

Application and Certificate for Payment

TO OWNER: SDIRC 1990 25th Street Vero Beach, FL 32960	PROJECT: 214 DODGERTOWN HVAC 4350 43rd Avenue Vero Beach, FL 32960	APPLICATION NO: 13 PERIOD TO: 08/31/12 CONTRACT FOR: CONTRACT DATE: 05/02/11 PROJECT NOS: / /	Distribution to: OWNER <input type="checkbox"/> ARCHITECT <input type="checkbox"/> CONTRACTOR <input type="checkbox"/> FIELD <input type="checkbox"/> OTHER <input type="checkbox"/>
FROM CONTRACTOR: Summit Construction Management, Inc. 2837 Flight Safety Drive Vero Beach, FL 32960	VIA ARCHITECT: Sklow & Runkel 1333 Gateway Dr Melbourne, FL		

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$ 2,748,846.00
2. Net change by Change Orders	\$ -405,613.08
3. CONTRACT SUM TO DATE (Line 1 ± 2)	\$ 2,343,232.92
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$ 2,343,232.92
5. RETAINAGE:	
a. <u>0</u> % of Completed Work (Column D + E on G703)	\$ _____
b. <u>0</u> % of Stored Material (Column F on G703)	\$ _____
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$ 0.00
6. TOTAL EARNED LESS RETAINAGE	\$ 2,343,232.92
(Line 4 Less Line 5 Total)	
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT	\$ 2,108,909.63
(Line 6 from prior Certificate)	
8. CURRENT PAYMENT DUE	\$ 234,323.29
9. BALANCE TO FINISH, INCLUDING RETAINAGE	\$ 0.00
(Line 3 less Line 6)	

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	\$ 0.00	\$ 405,613.08
Total approved this Month	\$ 0.00	\$ 0.00
TOTALS	\$ 0.00	\$ 405,613.08
NET CHANGES by Change Order	\$ -405,613.08	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:
By: [Signature] Date: 8/23/12
State of: Florida
County of: Indian River
Subscribed and sworn to before me this 23 day of August 2012
Notary Public: [Signature]
My Commission expires: _____



ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED: \$ 234,323.29
(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)
ARCHITECT:
By: _____ Date: 9/15/12

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract

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APPLICATION AND CERTIFICATE FOR PAYMENT

TO (OWNER): **School District of Indian River County**
 1990 25th Street
 Vero Beach, FL 32960

PROJECT: **Vero Beach Elementary School**
 1770 12th Street
 Vero Beach, FL 32960

APPLICATION NO: **18 Retg**

Distribution to:
 OWNER (2)
 ARCHITECT (1)
 CONTRACTOR (1)

PERIOD TO: **08/25/12**

FROM (CONTRACTOR): **Proctor Construction Company**
 2050 Hwy US 1, Ste. 200
 Vero Beach, FL 32960

VIA (ARCHITECT): **Tercilla Courtemanche Arch., Inc.**
 2047 Vista Parkway, Ste. 100
 West Palm Beach, FL 33411

PROJECT NO: **VBE-11**

CONTRACT FOR: **Construction**

CONTRACT DATE: **01/25/11**

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for Payment, as shown below, in connection with the Contract. Detail Sheet is attached.

1. ORIGINAL CONTRACT SUM	18,790,657.00
2. PURCHASE ORDERS/OCO	-6,543,758.03
3. CONTRACT SUM TO DATE	12,246,898.97
4. TOTAL COMP & STORED TO DATE	10,419,811.86
5. RETAINAGE:	
Retainage Held to Date	492,516.49
10% of Stored Material	0.00
TOTAL RETAINAGE	492,516.49
6. TOTAL EARNED LESS RETAINAGE	9,927,295.37
(Line 4 less Line 5 Total)	
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT	9,620,368.69
(Line 6 FROM PRIOR Certificate)	
8. CURRENT PAYMENT DUE	306,926.68
9. BALANCE TO FINISH, INCLUDING RETAINAGE	2,319,603.60
(Line 3 less Line 6)	

PURCHASE ORDER SUMMARY		
Purchase Orders approved in previous months by Owner	ADDITIONS	DEDUCTIONS
TOTAL		
Approved this Month		
Number	Date Authorized	
CO1/CO2		(1,035,267.93)
CO3/CO4		(996,075.95)
CO5/CO6		(1,151,374.63)
CO7/CO8		(450,386.16)
CO9		(733,895.98)
CO10/CO11		(988,347.19)
CO12/CO13		(359,269.09)
CO14/CO15/CO16		(873,043.66)
CO17		-
TOTALS	\$ 43,902.56	\$ (6,587,660.59)
Net change to date :		-\$6,543,758.03

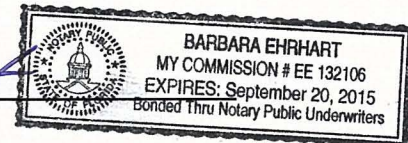
The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By: *Donald L. Tolliver* Date: 08/30/12
 Donald L. Tolliver, President

State of: Florida County of: Indian River
 Subscribed and sworn to before me this 29 day of Aug, 2012.

Notary Public: *Barbara Ehrhart*
 My Commission expires: 9-20-15



ARCHITECT'S CERTIFICATE FOR PAYMENT

AMOUNT CERTIFIED \$ 306,926.68

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief, the Work has progressed as indicated, the quality of the work is in accordance with the Contract Documents and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

(Attach explanation if amount certified differs from the amount applied for.)
 ARCHITECT: *Donald L. Tolliver*
 By: *Donald L. Tolliver* Date: 9/11/12
 This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

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**National Employee Benefit Companies, Inc
d/b/a AMWINS RX**

SPONSOR AGREEMENT

THIS AGREEMENT, made as of the ___ day of _____, _____, between National Employee Benefit Companies, Inc d/b/a AMWINS RX, a Rhode Island corporation, with its principal place of business at 16 International Way, Warwick, RI 02886 and _____ ("Sponsor"), a _____ corporation, with its principal place of business at _____ . AMWINS RX and Sponsor are herein referred to each individually as a "Party" and collectively as the "Parties."

WHEREAS, The Medicare Prescription Drug Benefit program was established by section 101 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) and is codified in section 1860D-1 through 1860 D-41 of the Social Security Act (the Act). Section 101 of the MMA amended Title XVIII of the Social Security Act by redesignating Part D as Part E and inserting a new Part D, which establishes the Voluntary Prescription Drug Benefit Program (hereinafter referred to as "Part D"); and

WHEREAS, IDEALSCRIPTS provides Medicare Prescription Drug Program (PDP) and commercial prescription drug programs to its membership and maintains a network of Pharmacies (as defined herein) and provides pharmacy benefit administrative services; and

WHEREAS, Sponsor has committed to provide a prescription drug benefit plan for eligible Covered Persons (as defined below); and

WHEREAS, AMWINS RX has established a network of retail and mail service pharmacies to provide services for Sponsor's prescription drug benefit plan; and

WHEREAS, AMWINS RX has access to a remote electronic claims adjudication and processing system for adjudicating and processing claims made for prescription drugs and other related goods and services; and

WHEREAS, AMWINS RX has access to a drug utilization review service by which the cost effectiveness, interaction and resulting therapeutic effect of various drugs is reviewed and monitored electronically; and

WHEREAS, AMWINS RX has a prescription drug benefit management service for designing and managing prescription drug benefit plans; and

WHEREAS, Sponsor desires to engage AMWINS RX to adjudicate and process claims on its behalf through the electronic claims adjudication and processing system and may request

AMWINS RX to implement drug utilization review and other services now or in the future, and AMWINS RX desires to furnish such services on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

I. DEFINITIONS

- A. "AWP" means the average wholesale price of a product as determined by First Data Bank, MediSpan or other similar service selected from time to time by Manager.
- B. "Benefits" means the prescription drugs and other related goods and services covered by the Plan.
- C. "Claims System" means the electronic system used by AMWINS RX to adjudicate and process claims made for Benefits.
- D. "Copay" means the portion of a Product Cost which, subject to the other provisions of this Agreement, a Member must pay to a pharmacy for each prescription fill or refill of a covered product.
- E. "Deductible" means the cumulative amount, representing 100% of Product Cost, an individual or family must pay to pharmacies for covered products during a specified time period before the payment obligation of the individual or family for further products during the time period is reduced to the Copay.
- F. "Covered Person" means an individual who is eligible to receive Benefits in accordance with and under the terms of the Plan.
- G. "DUR" means the concurrent and/or retrospective drug utilization review programs used by AMWINS RX.
- H. "Exclusions" means the prescription drugs and other related goods and services not covered by the Plan.
- I. "Formulary/Therapeutic Management Programs" means Prior Authorization ("PA") and Medical Necessity ("MN") programs. Under the Medical Necessity program, coverage of a non-Formulary product (other than a Excluded Product) is preauthorized for a specified Member and length of therapy upon prescriber's written request if Manager (or Sponsor on appeal) determines that medical necessity exists utilizing criteria approved by the P&T Committee.

- J. "MAC" or "Maximum Allowable Cost" means the list of generic drugs and the corresponding pricing that AMWINS RX will pay participating pharmacies, as modified by AMWINS RX from time to time.
- K. "Maximum Benefit" means the maximum cumulative amount of Product Cost *net of Deductibles and Copays* which will be covered for an individual or family during a specified time period. Once the Maximum Benefit has been reached, the individual or family must pay 100% of the dispensing pharmacy's Product Cost for the remainder of the specified time period.
- L. "Member Pharmacy" or "Member Pharmacies" means a retail and/or mail service pharmacy or pharmacies that have executed a Pharmacy Participation Agreement with AMWINS RX (or its designee) to provide services for the Plan.
- M. "Out-of-pocket Maximum" means the maximum cumulative amount an individual or family must pay for covered products during a specified time period. Once the Out-of-Pocket Maximum has been paid, the individual or family pays nothing for further covered products during the time period.
- N. "Pharmacy Participation Agreement" means the subcontract between AMWINS RX (or its designee) and a Member Pharmacy for the Member Pharmacy's provision of pharmacy services to Covered Persons.
- O. "Plan" means Sponsor's prescription drug benefit plan(s).
- P. "Prior Authorization" means products requiring "*Prior Authorization*" will be covered for a specified Member and length of therapy only upon prior approval by Manager (or by the Sponsor on appeal) of a request by the prescriber. Decisions on requests will be based on criteria approved by the P&T Committee. Emergency Supply available.
- Q. "AMWINS RX Program" means the Claims System, DUR and the other services which AMWINS RX may provide to Sponsor from time to time.
- R. "WAC" means wholesale acquisition cost for the price paid by a wholesaler for a drug purchased from the wholesaler's supplier, typically the manufacturer of the drug. The applicable WAC will be based on the package size dispensed by the PHARMACY. WAC Pricing will be updated on a weekly basis as set forth in the current price list in First Data Bank or other nationally recognized pricing sources as determined by AMWINS RX

II. OBLIGATIONS AND WARRANTIES OF SPONSOR.

- A. Sponsor shall promptly provide AMWINS RX, in a form reasonably acceptable to AMWINS RX, information concerning the Plan, as and when needed and in

sufficient detail to allow AMWINS RX to perform its obligations hereunder, including, but not limited to, the following:

1. the effective date and the expiration date, if any, of the Plan;
2. a summary description of the Plan, which describes, among other things, the Benefits and Exclusions under the Plan;
3. the classes of dependents covered, including any age (or other) limits applicable to dependent children;
4. the estimated number of Covered Persons by geographic location, i.e., county or other mutually agreed upon breakdown;
5. the intended manner of distribution of identification cards to Covered Persons;
6. the parameters for determining (i) whether and to what extent services are covered by or excluded from the Plan, and (ii) the amounts of all payments and the compensation rates to be offered for all Benefits (collectively, the "Parameters");
7. the amount of the Plan deductible or co-payment, if any; and
8. Sponsor shall provide AMWINS RX with an initial Eligibility File at least fifteen (15) days prior to the effective date of such Sponsors Prescription Drug Program. Electronic eligibility information, including at least the following:
 - (a) the names and identification numbers of all Covered Persons as of the effective date of the Plan;
 - (b) the relationship between Covered Persons (e.g., qualified dependent), as applicable, and such other information as AMWINS RX may reasonably require for adjudication of claims via the Claims System;
 - (c) the date of birth of each Covered Person;
 - (d) information, as requested by AMWINS RX, to prepare profiles of each Covered Person for the provision of DUR services, if such services are requested in writing by Sponsor;
 - (e) each Covered Person's home address;

- (f) updates to, additions to and deletions from eligibility information and profiles of Covered Persons within five (5) days after such change occurs; and
 - (g) other information as reasonably requested by AMWINS RX in connection with the services contemplated under this Agreement.
- 9. Sponsor shall be solely responsible for ensuring the accuracy of its Eligibility Files, and shall be obligated to pay AMWINS RX for claims accepted by AMWINS RX in accordance with the eligibility procedures established in this section. Sponsor bears the risk of fraudulent claims submitted by Members or by unauthorized persons using a member's Identification Card or identification number.
- B. Sponsor shall provide AMWINS RX with copies of all revisions or changes to the Plan at least thirty (30) days prior to the effective date of any such revision or change.
- C. Upon enrollment, Sponsor shall provide each Covered Person with a description of the Plan and the AMWINS RX Program, as well as any updates or changes thereto.
- D. Sponsor shall obtain any written consents from Covered Persons, as required by law and/or as reasonably requested by AMWINS RX to enable AMWINS RX to perform its services hereunder.
- E. Sponsor shall pay any and all taxes and fees levied, if any, by any Federal, State or local authority in connection with the Plan.
- F. Sponsor warrants that if the Plan provides for the reimbursement to Covered Persons of the cost of prescription drugs purchased at non-Member Pharmacies, then the Plan shall condition such reimbursement upon the submission of a claim to AMWINS RX by the Covered Person for direct reimbursement in a form approved by Sponsor and AMWINS RX, together with the Covered Person's proof of payment for such prescription drugs.
- G. Sponsor warrants that the Parameters and the information provided to AMWINS RX pursuant hereto are consistent with the Plan in all respects.
- H. Sponsor warrants to AMWINS RX that the Plan is in full compliance with, and shall at all times during the term of this Agreement remain in full compliance with, all Federal, State and local rules, regulations and/or laws applicable to the Plan.

III. OBLIGATIONS OF AMWINS RX.

- A. AMWINS RX shall provide the applicable basic per claim services in accordance with the "Basic Per Claim Services Schedule" attached hereto and made a part hereof.
- B. AMWINS RX shall enter the Plan's Parameters and eligibility information received from Sponsor into the Claims System. The information entered into the Claims System shall be deemed correct to the extent it is consistent with the information provided by Sponsor, unless and until AMWINS RX is otherwise notified by Sponsor that corrections are required. AMWINS RX shall promptly correct any errors brought to its attention.
- C. AMWINS RX shall produce AMWINS RX identification cards for distribution by Sponsor to all Covered Persons.
- D. AMWINS RX shall provide Sponsor with access to its network of Member Pharmacies for the benefit of Covered Persons under the Plan.
- E. AMWINS RX shall use reasonable efforts to engage an adequate number of Member Pharmacies in geographic areas where Covered Persons reside. AMWINS RX shall furnish to each of its Member Pharmacies a summary description of the Plan, provided that Sponsor has provided same to AMWINS RX pursuant to Article II.A.2. hereof. Sponsor acknowledges that the Member Pharmacies are chosen solely on their willingness to provide services to Covered Persons based on the terms, conditions and criteria of the Plan, and the terms of the Pharmacy Participation Agreement. Sponsor acknowledges that AMWINS RX has not conducted any investigation of, or otherwise reviewed or credentialed, any Member Pharmacy or pharmacist providing pharmacy services to Sponsor and/or its Plan.
- F. If requested by Sponsor, the Parties may agree, by a writing signed by both Parties, that AMWINS RX shall process prescription claims for non-Member Pharmacies for each Plan assigned to AMWINS RX, on such terms and with such conditions as mutually agreed to by the Parties.
- G. AMWINS RX (or its designee) shall pay claims received from Member Pharmacies through the Claims System and may also pay paper claims received from Covered Persons for direct reimbursement, provided the requirements set forth in Article II.F. hereof are met. Based on the Plan Parameters, AMWINS RX (or its designee) shall determine eligibility and conformity with the Plan and shall process payment of eligible claims and provide notification of declined or ineligible claims. AMWINS RX shall administer and adjudicate claims in accordance with this Article III. hereof if the Plan documents (including, without limitation, the summary description of the Plan) are clear and unambiguous as to

the validity of claims and the eligibility of Covered Persons for coverage under the Plan; AMWINS RX shall have no discretionary authority to interpret the Plan.

If adjudication of a claim requires interpretation of ambiguous Parameters, and Sponsor has not previously indicated to AMWINS RX the proper interpretation of such language, then Sponsor shall be responsible for resolving the ambiguity or any other dispute arising therefrom. In any event, Sponsor's decision as to any claim (whether or not it involves a Parameter ambiguity or other dispute) shall be final, subject only to appeals allowed by applicable laws.

- H. Audits of Participating Pharmacies. AMWINS RX shall maintain criteria, which it may amend from time to time, to establish when and how a Participating Pharmacy shall be audited to determine compliance with its agreement with AMWINS RX. The audit may be conducted by AMWINS RX internal auditors or its outside auditors, and at the pharmacy or at AMWINS RX by a review of electronically transmitted claims. To compensate AMWINS RX for the cost of conducting such audits, AMWINS RX shall charge an audit fee equal to twenty percent (20%) of any overpayments attributable to the Prescription Drug Program recovered from Participating Pharmacies. AMWINS RX audit efforts under this Section shall be deemed to be made on Sponsor's behalf. AMWINS RX shall not be required to institute litigation to collect any overpayments. AMWINS RX obligations to attempt collection shall be AMWINS RX sole obligation and liability with respect to remedying such overpayments.

- I. AMWINS RX shall invoice Sponsor for the retail and/or mail service prescription claims amounts and applicable taxes and fees, if any, that have been processed by AMWINS RX (or its designee) during the applicable period in accordance with Exhibit A (the "Prescription Claims Invoice"). AMWINS RX shall furnish to Sponsor a Prescription Claims Invoice no less frequently than twice each month.

- J. AMWINS RX shall invoice Sponsor for the administrative fees specified in Exhibit A (the "Administrative Fees") which have become due during the applicable period (the "Administrative Fees Invoice"). AMWINS RX shall submit to Sponsor an Administrative Fees Invoice no less frequently than monthly (the Prescription Claims Invoice and the Administrative Fees Invoice, as well as the DUR Invoice [defined below], if applicable, are collectively referred to herein as the "Invoices").

IV. FORMULARY SERVICES.

AMWINS RX shall, on behalf of Sponsor, and subject to Sponsor's approval and final authorization, develop and implement the Plan's drug formulary, and perform related services in connection therewith (the "Formulary Services").

V. PAYMENT.

- A. Sponsor shall effectuate an Automated Clearing House (ACH) transfer or an electronic wire transfer in the amount reflected in the Prescription Claims Invoice to a bank account designated by AMWINS RX within twenty-four (24) hours of receipt of a Prescription Claims Invoice.
- B. Sponsor shall remit to AMWINS RX payment in the amount reflected in the Administrative Fees Invoice within ten (10) business days of receipt of an Administrative Fees Invoice.
- C. If and when DUR services are requested, Sponsor shall remit to AMWINS RX payment in the amount reflected in a separate DUR invoice within ten (10) business days of receipt of such invoice (the "DUR Invoice").
- D. In the event Sponsor fails to pay AMWINS RX any amount due and owing hereunder on or before the date due, then (a) AMWINS RX shall have the right to impose and Sponsor shall pay to AMWINS RX a finance charge of 1.5% on the unpaid balance of the Invoices; and (b) AMWINS RX shall have the right, upon forty-eight (48) hours' prior notice to Sponsor, to: (1) decline to issue or reissue AMWINS RX identification cards to Covered Persons, (2) suspend processing and payment of claims of Covered Persons immediately until such time as Sponsor's account with AMWINS RX has been brought current, (3) advise Member Pharmacies immediately, as they access the Claims System, that Covered Persons' AMWINS RX identification cards are no longer valid, and (4) apply all or any portion of Sponsor's security deposited with AMWINS RX to Sponsor's delinquent account; and (c) Sponsor shall be responsible for all reasonable costs and expenses of collection of delinquent amounts owed and shall reimburse AMWINS RX for such costs and expenses (including, without limitation, reasonable attorneys' fees incurred by AMWINS RX in enforcing the terms of the Agreement); and (d) AMWINS RX shall be entitled to all other remedies available hereunder or otherwise at law or in equity.
- E. If, at any time, AMWINS RX shall reasonably determine, based on Sponsor's failure to pay any Invoices, that Sponsor may be unable to meet its financial commitments hereunder, AMWINS RX shall have the right, upon 24 hours' notice, to require Sponsor to deposit with AMWINS RX security in the amount of one month's claims volume and Administrative Fees (calculated based on the average of such amounts during the previous three months). Sponsor shall not be entitled to interest on any security in the form of a reserve or deposit. AMWINS RX shall retain the deposit until the termination of this agreement or the applicable Sponsor agreement.

- F. AMWINS RX shall guarantee the Administrative Fees set forth in Exhibit A for the first year of this Agreement. After the initial one-year period, AMWINS RX may, from time to time, modify the Administrative Fees with at least sixty (60) days' prior notice to Sponsor (the "Fee Modification Notice"). The new Administrative Fees will become effective upon the expiration of this sixty (60) day notice period. Sponsor may object to any modification to the Administrative Fees by giving written notice thereof to AMWINS RX within thirty (30) days after the date the Fee Modification Notice is sent by AMWINS RX. In such event, if the Parties cannot agree on appropriate Administrative Fees, this Agreement shall terminate at the end of the aforesaid sixty (60) day period.
- G. Sponsor shall reconcile reimbursements and appeal any disputed claims within a maximum of 90 days after the date the prescription charge is posted to sponsor's statement.
- H. Sponsor Audits. Provided that this Agreement has been duly executed by Sponsor, or Sponsor's third party auditor, as approved by AMWINS RX ("Auditor") may inspect prescription drug claim data and billing records relating to the Prescription Drug Program not more frequently than once each year. All audits shall be conducted during normal business hours at AMWINS RX offices upon sixty (60) day's prior notice. AMWINS RX may designate the specific dates of availability for the audit, none of which may be in December or January. Any and all costs and expenses associated with Sponsor's audit shall be borne by Sponsor including reasonable costs and expenses incurred by AMWINS RX to the extent the audit goes beyond AMWINS RX standard audit protocol. The scope of any audit shall not exceed claims incurred during the eighteen (18) months immediately preceding the audit. Audit materials or documentation provided by AMWINS RX will be confined to Sponsor-specific information.

VI. RECORDS AND DATA.

- A. AMWINS RX shall maintain for three (3) years, or such additional period as may be required by applicable law or regulation, the claims forms supporting the Invoices and other records sufficient to verify payments made to Member Pharmacies. AMWINS RX and Sponsor, or their designated representatives, shall allow each other and any authorized State or Federal governmental authority or regulatory agency to audit, review and duplicate such records and any other records in their possession that relate exclusively to the obligations undertaken by either Party under this Agreement. The review and duplication of records shall be allowed upon reasonable written notice during regular business hours at the place of business of the record holder and shall be subject to all applicable State and

Federal laws and regulations regarding the confidentiality of such records. Duplication shall be at the cost of the requesting Party.

- B. Sponsor agrees that, throughout the term of this Agreement, AMWINS RX shall have free and complete access, subject to applicable law or regulation, to all data and information received from Covered Persons, Sponsor and Member Pharmacies for the purpose of preparing compilations, analyses, and reports, conducting disease state management and outcomes management, and such other uses as AMWINS RX deems appropriate.
- C. AMWINS RX shall retain ownership rights over all property, technology, software compilations, analyses, reports, and other data utilized or developed by AMWINS RX. except as otherwise provided herein, ownership rights shall include, but are not limited to, all rights associated with publication, trade secrets, copyrights, trademarks and patents.
- D. AMWINS RX disclaims all liability arising out of Sponsor's use or dissemination of the data, records, reports, summaries and other information provided by AMWINS RX to Sponsor under this Agreement and/or arising out of Sponsor's failure to maintain the confidentiality of such information. Sponsor and AMWINS RX shall treat as confidential any information that individually identifies a Covered Person, Member Pharmacy or physician/prescriber.
- E. AMWINS RX and Sponsor acknowledge that certain information, reports and data generated under this Agreement are subject to applicable confidentiality of medical record laws, and the Parties agree to comply in all respects with such laws. AMWINS RX will take all reasonable precautions to prevent disclosure and/or use of information relating to the identity of Covered Persons and their medical information for a purpose unrelated to its administration pursuant to this Agreement. Such information may be disclosed by AMWINS RX only:
 - (a) in response to a court order, subpoena or other legal process, or otherwise required by applicable law;
 - (b) in connection with an examination conducted by any Federal, State and/or local governmental authority or regulatory agency;
 - (c) to or at the request of Sponsor;
 - (d) in connection with a Covered Person's health or safety including, without limitation, notifying the Covered Person's physicians, pharmacists or other healthcare providers of potential health hazards; or

- (e) with the written consent of the Covered Person or his/her legal representative.

Sponsor represents that it has received or will promptly obtain from each Covered Person his/her consent for AMWINS RX to obtain, possess and/or disclose (as applicable) prescription and medical information relating to the Covered Person for the purposes herein described.

VII. TERM AND TERMINATION OF AGREEMENT.

- A. This Agreement is binding as of the date of its execution and delivery but will not take effect until _____, _____ (the "Commencement Date"). The term of this Agreement shall begin upon the Commencement Date and shall continue to and including _____, 200_ (the "Term"), unless sooner terminated pursuant to the provisions of this Article VIII. The Term may be extended upon the mutual written agreement of the Parties.

- B. This Agreement may be terminated as follows:
 - 1. By either Party, without cause and for any reason, on ninety (90) days' prior written notice to the other; provided, however, that such notice shall not be effective and this Agreement shall not so terminate if the Parties, during said ninety (90) day period, mutually agree in writing to continue this Agreement;
 - 2. By either Party in accordance with Article VI.F. in the event the Parties are unable to agree on changes in Administrative Fees as provided in Article VI.F. hereof;
 - 3. Except as otherwise provided in this Article VIII.B., by either Party if the other Party shall materially default in its performance of any of its material obligations under this Agreement. The terminating Party shall provide the other Party thirty (30) days' prior written notice specifying the nature of the default. Such notice shall not be effective and this Agreement shall not terminate if the other Party shall cure such default within the thirty (30) day period (or if not curable within said thirty (30) day period, such Party undertakes and proceeds promptly, effectively, continuously and with due diligence to attempt to cure such default within said thirty (30) day period);
 - 4. Notwithstanding anything herein to the contrary, by AMWINS RX, on seventy-two (72) hours' written notice to Sponsor, if Sponsor shall fail at any time to make any payment required pursuant to this Agreement by the due date or fails at any time to provide or maintain the security required by

AMWINS RX under this Agreement; provided, however, that this Agreement shall not so terminate if Sponsor shall cure the payment default not later than the next business day following the date of the notice; or

5. By either Party immediately on notice to the other, if the other Party shall make an assignment for the benefit of creditors, file a petition in bankruptcy, is adjudicated insolvent or bankrupt, or if a receiver or trustee is appointed with respect to a substantial part of the other Party's property, or a proceeding is commenced against it that will substantially impair its ability to perform hereunder.

C. Upon the expiration or termination of this Agreement:

1. AMWINS RX shall have the right to notify Member Pharmacies that AMWINS RX identification cards for Covered Persons for the Plan become invalid as of the termination date;
2. The liability of the Parties for obligations incurred under this Agreement through the effective termination date, including all costs of collection and reasonable attorneys' fees, shall survive termination of this Agreement; and
3. Articles VII. (RECORDS AND DATA), X. (LIABILITY; DISCLAIMERS; ACKNOWLEDGEMENTS), XI. (CONFIDENTIAL INFORMATION) and XII. (MISCELLANEOUS) hereunder shall survive termination of this Agreement.
4. If for any reason, said Sponsor terminates this agreement before the ninety (90) days' prior written notice, Article VII Section B.1, AMWINS RX shall have the right to penalize the Sponsor in the amount of three (3) months' administration fees. These fees will be calculated starting from the month prior to the termination notice and continuing through the previous two (2) months.

VIII. NOTICES.

All notices pertaining to this Agreement shall be delivered in person, sent by certified mail return receipt requested, or transmitted by facsimile and confirmed in writing (sent certified mail return receipt requested or by overnight courier) to a Party at the address or facsimile number below, or such other address or facsimile number as a Party may notify the other Party from time to time. Notices delivered in person, and notices dispatched by facsimile prior to 4:30 p.m., recipients' time, Monday through Friday (National legal holidays excepted), shall be deemed received on the day sent. All other facsimiles and notices delivered in person shall be deemed to have been received on the business day following the date of receipt and notices delivered by mail shall be deemed to have been received on the date of receipt on the return receipt; provided however, if such day falls on a weekend or legal holiday, receipt shall be deemed to occur on the next business day. Notices may also be transmitted electronically between the Parties provided that proper arrangements are made in advance to facilitate such communications and provide for their security and verification.

Notices to AMWINS RX shall be addressed to:

National Employee Benefit Companies, Inc
d/b/a AMWINS RX
16 International Way
Warwick, RI 02886
Attn: Michael Hajdun, Exe. Vice President
Facsimile No.: (203) 793-2919

Notices to Sponsor shall be addressed to:

Attn:
Facsimile No.:

IX. LIABILITY; DISCLAIMERS; ACKNOWLEDGEMENTS.

- A. The AMWINS RX Claims System is dependent upon the accurate transmission and processing of data by electronic means. AMWINS RX, its affiliates, contractors, shareholders, directors, officers, employees, and agents shall not be liable for any damages or claims arising out of any interruption in transmission or processing that is beyond the reasonable control of AMWINS RX.
- B. Nothing in this Agreement shall be construed or be deemed to create any rights or remedies in any third party including, but not limited to, a Covered Person.
- C. Sponsor acknowledges that this Agreement is not a contract for the sale of goods, and AMWINS RX, ITS AFFILIATES, CONTRACTORS, SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS DISCLAIM ALL EXPRESS AND ALL IMPLIED WARRANTIES OF ANY KIND INCLUDING, BUT NOT LIMITED TO, ANY WARRANTY AS TO THE QUALITY, ACCURACY OR SUITABILITY FOR ANY PARTICULAR PURPOSE OF THE INFORMATIONAL DATA GENERATED THROUGH THE CLAIMS SYSTEM. The database limitations set forth in Exhibit B, Paragraph D are incorporated herein by this reference.
- D. The Parties agree that in no event shall AMWINS RX, its affiliates, contractors, shareholders, directors, officers, employees, and agents have any liability to Sponsor, or any other party, in connection with the acts or omissions of any Member Pharmacy or pharmacist or employee, agent or officer of a Member Pharmacy who performs any service under a Pharmacy Participation Agreement or otherwise in connection with this Agreement. AMWINS RX, its affiliates, contractors, shareholders, directors, officers, employees, and agents shall not, under any circumstances, be liable or responsible for injury including, without limitation, death, suffered by any Covered Person from any prescription drug dispensed or not dispensed by any Member Pharmacy or pharmacist (whether or not using the DUR system for any purpose), or for any side-effects or other consequential or incidental damages of any kind or description whatsoever from the use, or refrain from use, of any such prescription drug, it being expressly understood that such liability and responsibility rests entirely upon the Member Pharmacy or pharmacist dispensing the prescription drug.
- E. In no event shall AMWINS RX, its affiliates, contractors, shareholders, directors, officers, employees and agents be liable for (i) any third party claims against Sponsor, its affiliates, contractors, shareholders, directors, officers, employees or agents for losses or damages, or (ii) any indirect, special, incidental, or consequential (including lost profit or savings) damages regardless of whether AMWINS RX is informed of their possibility or if otherwise foreseeable.
- F. In no event shall the liability of AMWINS RX, its affiliates, contractors, shareholders, directors, officers, employees, and agents to Sponsor under or in

connection with this Agreement exceed the actual loss or damage to Sponsor, up to the amount of the Administrative Fees paid to AMWINS RX by Sponsor hereunder for the three (3) month period immediately preceding the date on which the claim arose.

- G. AMWINS RX shall not, under any circumstance, be responsible to use its corporate assets to satisfy any claim or expense that is the responsibility of Sponsor, the Plan or any Covered Person.
- H. AMWINS RX shall be entitled to rely, without investigation or inquiry, upon any written or oral information or communication of Sponsor or its employees or agents. Further, AMWINS RX shall not be liable for, and Sponsor shall indemnify and hold AMWINS RX harmless against, any actions, liabilities, damages, costs and expenses arising out of any action taken by AMWINS RX at Sponsor's direction.
- I. AMWINS RX reserves the right to control the use of its name and all symbols and service marks presently existing or hereafter established with respect to AMWINS RX; provided, however, that AMWINS RX hereby authorizes Sponsor to use AMWINS RX name, symbols and service marks to the extent necessary or prudent to adequately notify Covered Persons as to the effect and operation of the AMWINS RX Program. Sponsor shall not otherwise use the name, symbols or service marks of AMWINS RX in advertising or promotional materials or otherwise without the prior written consent of AMWINS RX. Further, Sponsor shall cease any and all usage of such name, symbols and/or service marks immediately following the termination of this Agreement.

X. CONFIDENTIAL INFORMATION.

Sponsor shall not disclose any information or knowledge concerning AMWINS RX operations, techniques or procedures, which is hereby deemed confidential information, except as otherwise required by law and, even if required by law, Sponsor shall not disclose such confidential information unless Sponsor provides AMWINS RX with five (5) business days' advance written notice. Any such information disclosed to or acquired by Sponsor shall be held in confidence and all written confidential information shall be surrendered by Sponsor to AMWINS RX upon the termination of this Agreement or earlier, upon prior written notice. The provisions of this Article XI. shall survive the termination of this Agreement.

XI. MISCELLANEOUS.

- A. Neither Party shall be liable in any manner for any delay or failure to perform its respective obligations hereunder (except Sponsor's obligations to make payments

to AMWINS RX) which are beyond such Party's reasonable control including, without limitation, any delay or failure due to strikes, major labor disputes, riots, earthquakes, storms, floods, or other extreme weather, fires, explosions, acts of God, embargoes, wars or other outbreak of hostilities, delay of carriers, suppliers or telecommunications providers, or governmental acts or regulations.

- B. The Parties have entered into this Agreement as independent contractors and not as agents of one another. Neither Party shall have any authority to act in any way as the representative of the other, or to bind the other to any third party, except as specifically set forth herein.
- C. Any failure by either Party to enforce or require the performance by the other Party of any of the terms or conditions of this Agreement shall not constitute a waiver of a breach of any such term or condition thereafter occurring.
- D. This Agreement shall not be deemed a contract of insurance under any laws or regulations. AMWINS RX does not insure, guarantee or underwrite the liability of Sponsor under the Plan. Sponsor, and not AMWINS RX, shall remain solely liable for the payment of claims and all other expenses incidental to the Plan.
- E. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same agreement. This Agreement shall become binding when one or more counterparts hereof, individual or taken together, shall bear the signatures of all of the Parties reflected hereon as the signatories.
- F. In the event that any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason or in any respect, such invalidity, illegality or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, which shall remain in full force and effect, and enforceable in accordance with its terms.
- G. This Agreement, together with the Exhibits hereto, constitutes the entire understanding between the Parties hereto with respect to the subject matter hereof. No prior oral or written communication with respect to the subject matter hereof, nor any supplement, modification, waiver or amendment of this Agreement unless executed in writing by the Parties hereto, shall be binding.
- H. This Agreement shall be construed and enforced in accordance with the laws of the State of Connecticut (to the extent such laws are not preempted by applicable Federal law), without regard to that State's conflict of laws principles.
- I. Arbitration. All controversies, disputes and claims between Sponsor and

AMWINS RX arising out of or relating to this Agreement, shall be resolved through binding arbitration. Arbitration pursuant to this section shall be by three arbitrators, one selected by Sponsor, one selected by AMWINS RX, and one chosen by the two selected arbitrators, and shall be otherwise consistent with the then-current rules of the American Arbitration Association. Notwithstanding the foregoing, any breach or violation of the provisions addressing Confidential Information may be submitted by the injured party, at its discretion, to a court of competent jurisdiction in an action for injunctive or other equitable relief in lieu of arbitration. In addition, judgment upon any award rendered in arbitration may be entered in a court of competent jurisdiction or application may be made to such court for judicial acceptance of such award and an order of enforcement. The location for the arbitration shall be a mutually agreed upon location.

Despite and during the existence of any dispute, controversy or pendency of claim involving Sponsor and AMWINS RX, each shall be obligated to continue with their performance as required by this Agreement, unless otherwise provided herein.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective officers or representatives duly authorized to do so.

National Employee Benefit Companies, Inc.
Company d/b/a AMWINS RX

[NAME OF SPONSOR]

By: _____

By: _____

Print: _____

Print: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A

**PRICING AND ADMINISTRATIVE FEES
PRESCRIPTION PROGRAM**

Sponsor shall pay the following prescription prices and administrative fees. In all cases, prescriptions will be filled at the lower of the amount referenced herein or Member Pharmacy's Usual and Customary Price. "Usual and Customary Price" means Member Pharmacy's cash price less all applicable discounts including, without limitation, senior citizen discounts granted customers during its normal course of business.

A. AMWINS RX LOCAL PRESCRIPTION PRICING 30 DAY SUPPLY

Brand Name Drugs:	Pass-Through
Generic Drugs:	Pass-Through

B. AMWINS RX LOCAL PRESCRIPTION PRICING 90 DAY SUPPLY

Brand Name Drugs:	Pass-Through
Generic Drugs:	Pass-Through

C. MAIL SERVICE PRESCRIPTION PRICING

Brand Drugs:	Pass-Through
Generic Drugs:	Pass-Through

D. ADMINISTRATIVE FEES

Per Member Per Month (PMPM)	\$7.50
Paper Claims (per submitted claim)	\$1.50
Sterling Management Fee (PMPM)	\$5.93

E. MISCELLANEOUS FEES

Retrospective DUR	Included
Drug Utilization Review Programs (DUR)	Included
Eligibility Submission – Manual	\$1.00 PM
Explanation of Benefits	\$1.25 per EOB
Annual Notice of Coverage (ANOC)	\$0.10 PMPM
Explanation of Coverage (EOC)	\$0.50 PMPM
Formulary Management Services	Included
Custom Formulary Materials	Included
Group Set Up Fees	Included
Start Up Fees	Included

ID Cards – Initial	Included
ID Cards – Replacement	\$1.50 per family + postage
Member Communications – Printing	Included
Member Communications – Mailing	\$1.25 + postage per member mailing
New Member Packets	Included
PA’s – Administrative	\$20.00 per PA
PA’s – Clinical Overrides	\$25.00 per PA
Medication Therapy MGT (MTM)	Included
Step Therapy	Included
On-line Access/Query	Included
On-line Access/Reports	Included
Toll-Free Number	Included
Ad Hoc Reports	\$150 per report
Standard Management Reports	Included
PDE Reporting	Included
Coordination of Benefits (COB)	Included
Vaccine – Participating Pharmacy	\$20.00 per vaccine
Appeals – Clinical Review	\$300.00 per review
Appeals – Administrative	\$150.00 per review
Electronic Prescribing	\$0.25 per eRX transaction

AmWINS Rx will pass through 100% of collected rebates.

AmWINS Rx is open to full disclosure of our rebate contracts with drug manufactures. We would be open to an audit and full disclosure on a quarterly basis for rebate dollars collected. Manufacturer rebates are calculated by agreement. Typically market-share percentages are developed and are based on obtainment of tier levels of market-share percentages with ascending rebate percent levels. Derived percentages are multiplied times the cost of the drug, resulting in a dollar rebate amount. Every possible opportunity to avoid bundling formulary medications for the purpose of driving rebates is made. However, if the economics of the bundled offering outweigh a non-bundled approach, sound business judgment would indicate that a bundled formulary makes more sense for our sponsors. The rebate calculations are audited for each manufacturer. AmWINS Rx will allow an audit of its rebate contracts and payments. Typically, rebate agreements range from 6 to 12 months.

Sponsor acknowledges and agrees as follows: (1) AMWINS RX is authorized to receive rebates from certain drug manufacturers as a result of the inclusion of such manufacturers’ products on the Plan’s formulary; (2) the prescription pricing charged by AMWINS RX as described in this Exhibit A may, in some cases, be different than the pricing charged by, and paid by AMWINS RX to, Member Pharmacies for such prescriptions; and (3) Sponsor shall be responsible for notifying Covered Persons of AMWINS RX receipt of the foregoing.

EXHIBIT B

AMWINS RX DUR SERVICES

A. DESCRIPTION OF SERVICES

1. **Concurrent DUR** - AMWINS RX shall provide the concurrent DUR system, which operates through the Claims System. The Claims System will edit claims for the following:
 - a. Drug-Drug Interactions
 - b. Therapeutic Duplications
 - c. Excessive Daily Doses
 - d. Excessive Utilization
 - e. Insufficient Daily Doses
 - f. Drug Age Conflicts
 - g. Drug-Disease Contraindications
 - h. Drug-Pregnancy Contraindications
 - i. Controlled Substance Abuse
 - j. Refill-Too-Late/Noncompliance
2. **Retrospective DUR** - Retrospective DUR is the process of collecting, tabulating and analyzing prescription data collected from the Claims System and subsequent clinical interventions. AMWINS RX retrospective DUR analysis includes, but is not limited to, the following:
 - a. Brand/Generic Substitution
 - b. Therapeutic Substitution
 - c. Drug to Drug Interactions
 - d. Formulary Compliance

- e. Step Therapy
- f. Contraindications
- g. Late Refills
- h. Early Refills
- i. Duration of Therapy
- j. Dosage
- k. Acute/Maintenance Therapy
- l. Therapeutic Duplication
- m. Drug Efficacy
- n. Retail to Mail Opportunities

B. PHARMACIST DISCRETION

The information generated in connection with DUR services is intended as an informational guide to, and not a substitute for, the knowledge, expertise, skill and judgment of physicians, pharmacists, or other health care providers. AMWINS RX, on behalf of Sponsor, shall advise Member Pharmacies that the DUR system should not be relied upon as a substitute for their professional judgment. Sponsor acknowledges and agrees that the DUR system will provide information to Member Pharmacies, but the DUR system cannot control how Member Pharmacies dispense prescriptions or provide other goods and services that may or may not correlate with information they receive through the DUR system. Sponsor acknowledges that Member Pharmacies are individually responsible for acting or not acting upon information generated and transmitted through the DUR system, and for performing services in each jurisdiction consistent with the scope of their licenses.

C. PATIENT INFORMATION LIMITATIONS

The DUR system is highly automated with minimal, if any, individual review in most circumstances. Therefore, the DUR system is necessarily limited by the amount, accuracy and completeness of data concerning Covered Persons inputted into the Claims System or obtained from prescription claims and from information provided by Sponsor. Covered Person information which may not be available to or in the possession of AMWINS RX includes, but is not limited to, Covered Person diagnoses, utilization of drugs obtained outside of the Claims System, and weight and other physical characteristics of a Covered Person. AMWINS RX shall have no obligation to acquire information concerning any Covered Person, where the information

is insufficient or unavailable to enable the DUR system to determine whether or not intervention or reporting is indicated.

D. AMWINS RX DATABASE LIMITATIONS

The DUR database is a collection of databases of clinical drug data and drug dispensing information developed and maintained partly by AMWINS RX and partly by independent drug database companies. Sponsor acknowledges and agrees that AMWINS RX has and may consult with outside software and other vendors, as well as consulting health care professionals and any recognized compendia, to provide databases and other information as AMWINS RX deems necessary or helpful to include in the DUR database. AMWINS RX shall endeavor to update the DUR database on a reasonable basis to reflect changes in standards for pharmaceutical prescribing; however, Sponsor acknowledges that no database will contain all currently available information on accepted medical practice or prescribing practices. In most cases, vendors and professionals limit, disclaim or fail to provide warranties, regarding the information or services provided to AMWINS RX. **BASED UPON THE FOREGOING, SPONSOR FURTHER ACKNOWLEDGES AND AGREES THAT AMWINS RX SHALL NOT BE RESPONSIBLE FOR ANY TORTS, COSTS, DAMAGES, EXPENSES, CLAIMS, SUITS OR PROCEEDINGS OF ANY TYPE ARISING IN CONNECTION WITH (i) MEDICAL, SCIENTIFIC OR BUSINESS JUDGMENTS MADE IN CREATING THE DUR DATABASE OR ANY OTHER DATABASES AND REPORTS UPON WHICH THE AMWINS RX DUR SERVICES ARE BASED, OR (ii) ANY FAILURE TO INCLUDE INFORMATION IN THE DUR DATABASE.**

AMWINS RX BASIC PER CLAIM SERVICES SCHEDULE:

Basic per claim services included in the Administrative Fees:

AMWINS RX "CLAIMS SYSTEM" - A fully automated, on-line, real-time claims processing system. Claims System provides greater ability to tailor prescription drug plans to maximize benefits and to utilize a range of proven cost management approaches.

NETWORK MANAGEMENT - AMWINS RX maintains a Help Desk with 800 number service for the Member Pharmacies to facilitate the point-of-service processing available through the Claims System.

COMPREHENSIVE REPORT PACKAGE - A standard package of reports includes relevant cost, utilization control data and savings information related to the specific services selected.

CONCURRENT AMWINS RX DUR - Claims System has the ability to transmit informational concurrent drug utilization review messages to Member Pharmacies as more fully described in Exhibit B, if DUR services are requested in writing by Sponsor.

RETROSPECTIVE DUR - AMWINS RX can perform retrospective DUR analysis on all approved prescription transactions as described in Exhibit B, if DUR services are requested in writing by Sponsor.

CUSTOMER SERVICE - AMWINS RX maintains a Help Desk with 800 number service for Covered Persons to answer inquiries concerning Member Pharmacy locations and prescription benefit questions.

AMWINS RX IDENTIFICATION CARDS - AMWINS RX will provide identification cards in accordance with Article III.C.

Quotation

Company Address
 Learning Sciences International
 175 Cornell Rd., Suite 18
 Blairsville PA 15717
 US

Quote Number Q-01025
Expiration Date 10/12/2012

Program Partner Robert LaGrassa

Payment Terms Net 30

Implementation Evaluation

Make checks payable to: Learning Sciences International
 Fax Signed Quote to: (724) 459-6373

Contact Name Denise Roberts
Phone (772) 564-3071
Email denise.roberts@indianriverschools.org

Bill To Name School District of Indian River
Bill To 1990 25th Street
 Vero Beach,
 FL
 32960
 US

Monthly Principal Meetings IRR and DQ Training

QTY	PRODUCT	CODE	DESCRIPTION	UNIT PRICE	DISC (%)	TOTAL PRICE
7	PDS Marzano Custom Session	PD000-99M	Marzano Custom Session: Monthly principal meetings 1/2 session in am and 1/2 session in pm and will focus on building inter rater reliability around the DQs in the model. District will identify the monthly focus and other content areas based on need; price includes reprint license for district to print materials needed for sessions	\$6,000.00		\$42,000.00
Monthly Principal Meetings SUBTOTAL:						\$42,000.00
Monthly Principal Meetings TOTAL:						\$42,000.00

Teacher Information Session Deeper Connections

QTY	PRODUCT	CODE	DESCRIPTION	UNIT PRICE	DISC (%)	TOTAL PRICE
1	PDS Marzano Custom Session	PD000-99M	Marzano Custom Session: General Information session on Marzano Deeper Connections for 1700 teachers split into 2 groups(elementary/secondary); 850 participants in each group	\$5,500.00		\$5,500.00
1	PDS Marzano Custom Session Materials	PD000-99M-W	PDS Marzano Custom Session Materials; 30 day reproduction license for general information Deeper Connections teacher sessions;district will be responsible to provide printed materials for each participant	\$1,000.00		\$1,000.00
Teacher Information Session SUBTOTAL:						\$6,500.00
Teacher Information Session TOTAL:						\$6,500.00

QUOTE SUBTOTAL:	\$48,500.00
QUOTE TOTAL:	\$48,500.00

Learning Sciences International Terms & Conditions

Customer Acknowledgment

Customer acknowledges agreement with these Terms & Conditions of Sale by placement of an order to purchase products or services from Learning Sciences International, LLC.

Prices

Prices quoted are good for 30 days from the date of proposal or quote, unless otherwise stated in writing.

Terms

Purchase order or payment is required prior to order fulfillment. Make checks payable to "Learning Sciences International" and submit to 175 Cornell Road, Suite 18, Blairsville, PA 15717.

Purchase Orders

Original copies of purchase orders should be sent to Learning Sciences International, 175 Cornell Road, Suite 18, Blairsville, PA 15717 or faxed to (724) 459-6373.

Payments

Standard payment terms are net 30 from date of invoice. Seller reserves the right to charge interest at the rate of 0.5% per month on past due balances. Seller also reserves the right to submit invoices greater than 90 days past due to a third party agency for collection.

Scheduling

On-site training and professional development sessions requires 30 days advance notice. Purchase orders or payment must be received before training dates can be reserved. Trainings scheduled at the Customer's request less than 30 days advance notice are subject to a \$500 premium or additional pre-session charges of \$500 may apply.

Cancellation

On-site training and professional development sessions may be rescheduled prior to 30 days in advance without penalty. Districts who cancel within the 30 day window will be charged \$500 fee + travel expenses incurred (including cancellation and airline booking fees.)

Shipping and Handling

Shipping and Handling for print materials shown at standard ground rates. Please allow 7-10 business days for order processing and delivery. Expedited or overnight shipping available for some items. Additional fees may apply.

LSI will fulfill your order based on the quantity of materials shown on your purchase order. Should you request additional copies of materials, you will be invoiced for the materials plus shipping and handling. Expedited or overnight shipping may apply.

Additional Terms and Conditions

Additional Terms and Conditions for users of the iObservation System and/or Terms and Conditions for On-site Training Delivery will be provided in separate agreement(s.)

Signature: _____

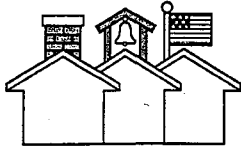
Effective Date: ____/____/____

Name (Print): _____

Title: _____

Please sign and fax to (724) 459-6373.

THANK YOU FOR YOUR BUSINESS!



School District of Indian River County

1990 25th Street • Vero Beach, Florida, 32960-3395 • Telephone: 772-564-3000 • Fax: 772-569-0424

Frances J. Adams, Ed.D. - Superintendent

CHARGING LETTER

September 24, 2012

Alan Seiden
7251 Gullotti Place
Port St. Lucie, FL 34952

VIA: Hand Delivery

Dear Mr. Seiden:

This letter charges you with acts or failure to act when you had a duty to act as an employee of the School District of Indian River County, Florida ("the District"). These acts or omissions constitute just cause for you to be terminated from your position with the District. This correspondence will give you notice of the procedures that will be followed to terminate your employment.

I will recommend at the School Board meeting on October 9, 2012, that your employment with the District be terminated. The school Board meeting will be held at the offices of the School Board of Indian River County, 1990 25th Street, Vero Beach, Florida, and the meeting commences at 6:00 p.m.

Due to the seriousness of this charge, you will be reassigned to the Purchasing Department pending the outcome. This reassignment will be effective September 25, 2012.

You have a right to a hearing as provided in School Board Policies and in Florida Statute Section 1012.33(6). If you want a hearing to challenge your recommended termination then you must make a written request for a hearing by delivering a copy of the written request to me before 4:00 p.m. on October 9, 2012. The Superintendent's office is located at 1990 25th Street, Vero Beach, Florida.

If you timely request a hearing prior to the deadline, then I will recommend that you be suspended without pay until the hearing process is completed. If you timely request a hearing in writing, a hearing will be held pursuant to the Florida Administrative Procedures Act, as set forth in Chapter 120, Florida Statutes, in Florida Statute Section 1012.33, and in School Board Policies. This hearing will either be before the School Board or an administrative law judge assigned by the Florida Division of Administrative Hearings, as provided in Florida Statute Section 1012.33. If you do not timely request a hearing the School Board will consider my recommendation for termination to take effect immediately.

"Educate and inspire every student to be successful"

Karen Disney-Brombach
District 1

• Jeffrey Pegler
District 2

• Matthew McCain
District 3

• Carol Johnson
District 4

• Claudia Jiménez
District 5

"To serve all students with excellence"
Equal Opportunity Educator and Employer

My recommendation that you be discharged from employment is based on the fact that your acts or omissions disqualify you from being employed in the District and provide just cause for terminating your employment in that:

1. On October 13, 2011, you accompanied students from the autism program at Storm Grove Middle School to a field trip at LaPorte Farms. You were personally responsible for K.E., a student in the autism program. During the field trip, you inappropriately handled K.E.'s behavior, which caused a significant escalation of the matter, by engaging in improper and aggressive physical and verbal actions towards K.E. in violation of School Board Policy, State Board Rules, and the Code of Ethics of the Education Profession in Florida.

2. On October 13, 2011, you violated State Board of Education Rule 6B-1.001, FAC, by your lack of concern for the affected student and your failure to maintain the respect and confidence of your colleagues and students and by failing to maintain the highest degree of ethical conduct.

3. On October 13, 2011, you violated State Board of Education Rule 6B-1.006(3)(a), (b), and (e), FAC, by escalating a student situation and not protecting the student from conditions harmful to the learning environment and/or to the student's mental and physical health and safety; by unreasonably interfering with the student's pursuit of learning; and by exposing the student to unnecessary embarrassment or disparagement.

4. On October 13, 2011, you violated State Board of Education Rule 6B-1.006(3)(a), (b), and (e), FAC, by taking improper physical actions that did not protect the student from conditions harmful to the learning environment and/or to the student's mental and physical health and safety; by unreasonably interfering with the student's pursuit of learning; and by exposing the student to unnecessary embarrassment or disparagement.

5. On October 13, 2011, you violated Rule 6A-5.056, FAC, by committing acts which constitute misconduct in office.

6. On October 13, 2011, you violated School Board Policy 2.17, by your failure to abide by the Code of Ethics of the Education Profession in Florida and by the Principles of Professional Conduct for the Education Profession in Florida.

7. On October 13, 2011, you violated School Board Policy 2.19, by your failure to operate in accordance with the Code of Ethics of the Education Profession in Florida and by the Principles of Professional Conduct for the Education Profession in Florida.

8. On October 13, 2011, you violated School Board Policy 3.41 by your failure to provide proper supervision of students when you have the responsibility for their supervision in the performance of your duties.

9. Based on the above, and your disciplinary record, your conduct was unbecoming of a District employee and of a professional educator and constitutes just cause for your termination from employment.

You have the right to obtain legal representation of your choice to assist you if you should desire representation. If you take no action or fail to timely request a hearing in writing, then the School Board will act on my recommendation to terminate your employment at the October 9, 2012, School Board meeting.

If you have any questions concerning this matter or the procedures that are being followed regarding my recommendation that your employment be terminated, please contact School Board Attorney Suzanne D'Agresta at the Law Offices of Brown, Garganese, Weiss & D'Agresta, P.A. 111 North Orange Avenue, Suite 2000, P.O. Box 2873, Orlando, FL 32802, or call Mrs. D'Agresta at (407) 425-9566, or have your attorney or other representative contact Mrs. D'Agresta.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frances J. Adams", followed by a long horizontal line extending to the right.

Frances J. Adams, Ed.D.
Superintendent

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**SCHOOL DISTRICT OF INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD POLICY CHANGES
SUPPORT INFORMATION**

Today's Date: 8/20/2012

Policy Number: 3.40

Policy Title: Personnel Evaluation

Check one of the following:

New Policy: Amendment: **XX** Repeal:

I. Summary of Proposed New or Revised Policy:
Evaluation process for teachers that terminate anytime during the school year

II. Estimated Economic Impact: \$ None

III. Referenced Statutes:

Authority: 120.536, 120.54, 120.81, 1001.41, 1001.51, 1001.49, 1001.42(17), 1001.43 (F.S.)

Implemented: 1012.34 F.S. (F.S. and/or FSBE)

IV. Indian River County School Board (Ms. Stang will complete after adoption.)

Date Adopted by IRCSB: _____

Date Amended by IRCSB: / /

Date Repealed by IRCSB: / /

V. School Board Authorization:

Action Initiated by: School Board Members

Approved by: 
(Signature of) Superintendent/School Board Secretary

Do not write below this line.

School Board Recording Secretary:

- | | |
|---|------------------|
| 1. Discussion Agenda Item: Workshops | <u>8-14-2012</u> |
| 2. Action Agenda Item - Date for Public Hearing | <u>8-28-2012</u> |
| 3. Legal Notice | <u>9-3-2012</u> |
| 4. Public Hearing/Adopted Date (Action Item) | <u>10-9-2012</u> |

001-95-BRD
REV: 08/2011
GSL Item #32

3.40 PERSONNEL EVALUATION

The performance of each member of the administrative, supervisory, and instructional staff shall be assessed as provided herein.

- A. The assessment of a teacher shall be based on provisions outlined in the negotiated agreement.
- B. The Superintendent shall arrange for the evaluation of all principals, supervisors, and administrative personnel as required by law.
- C. In the event a teacher terminates employment with the District at any time during a school year, upon request to their evaluating administrator, that teacher will receive their summative assessment rating after the District receives the value added model (VAM) data from the Department of Education upon the following conditions:
 - (1) the evaluating administrator has completed all required teacher observations;
 - (2) the teacher remained employed through all State mandated student assessments;
 - and
 - (3) the teacher met with their evaluating administrator to receive their instructional practices score.

The post-employment receipt of the summative assessment rating by a former teacher does not serve to extend to the former teacher any employment rights enjoyed by teachers of the District.

- ~~C. A final evaluation shall be made when the employee leaves the school system.~~
- D. Prior to preparing the written report of the evaluation, the individual being evaluated shall be informed as to the criteria and the procedure to be used.
- E. The written report of the evaluation shall be reviewed with the employee and discussed with him by the person who made the evaluation.
- F. The evaluation of an employee shall be confidential until the end of the school year immediately following the school year in which the evaluation is made.

Authority: 120.536, 120.54, 120.81, 1001.41, 1001.51, 1001.49, 1001.42(17), 1001.43, F.S.

Implemented: 1012.34, F.S.

Amended: 11/8/83, 10/14/03, 5/13/08. _____

**IMAGINE SCHOOLS
AT SOUTH VERO
(A division of Imagine Schools
at South Indian River
County, LLC)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2012**

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Imagine Schools at South Indian River County, LLC
Vero Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Imagine Schools at South Vero (the "School"), a component unit of the School Board of Indian River County, Florida and a division of Imagine Schools at South Indian River County, LLC (the "Charterholder") as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the School management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2012, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the Charterholder.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School as of June 30, 2012, and the respective changes in financial position 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 our report dated September 10, 2012, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 27 through 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

September 11, 2012
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Imagine Schools at South Vero (the "School"), a component unit of the School Board of Indian River County, Florida and a division of Imagine Schools at South Indian River County, LLC (the "Charterholder"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School'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 basic financial statements starting on page 8.

Financial Highlights

- The School's assets exceeded its liabilities at June 30, 2012 by \$334,789.
- The School's net assets increased by \$85,994.
- At June 30, 2012, the School's governmental fund balance sheet reported combined ending fund balance of \$201,853, of which \$116,878 is unassigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and transportation are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Indian River County, Florida. The School Board of Indian River County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund 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 School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains six individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital outlay fund, which are considered to be major funds.

The School adopts an annual appropriated operating budget for the School. A budgetary comparison statement with required notes has been provided to demonstrate compliance with this budget and can be found on pages 27 through 29 of this report.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$334,789 for the year ended June 30, 2012, and liabilities exceeded its assets by \$248,795 for the year ended June 30, 2011.

Condensed statement of net assets and the statement of activities are provided below.

	Statement of Net Assets		
	Governmental Activities		
	<u>2012</u>	<u>2011</u>	<u>Variance</u>
ASSETS			
Current and other assets	\$ 526,767	\$ 544,884	\$ (18,117)
Capital assets, net of accumulated depreciation	<u>143,556</u>	<u>136,662</u>	<u>6,894</u>
Total assets	<u>670,323</u>	<u>681,546</u>	<u>(11,223)</u>
LIABILITIES			
Current and other liabilities	324,914	359,995	(35,081)
Noncurrent liabilities	<u>10,620</u>	<u>72,756</u>	<u>(62,136)</u>
Total liabilities	<u>335,534</u>	<u>432,751</u>	<u>(97,217)</u>
NET ASSETS			
Invested in capital assets	143,556	136,662	6,894
Unrestricted	<u>191,233</u>	<u>112,133</u>	<u>79,100</u>
Total net assets	<u>\$ 334,789</u>	<u>\$ 248,795</u>	<u>\$ 85,994</u>

The decrease in the noncurrent liabilities outstanding is directly related to the decrease in the straight-line calculation of the accrued rent expenses.

The following table indicates the change in net assets for the School:

Statement of Activities			
	Governmental Activities		
Revenues:	2012	2011	Variance
Program revenues:			
Charges for services	\$ 650,806	\$ 511,508	\$ 139,298
Operating grants and contributions	561,112	815,947	(254,835)
Capital grants and contributions	-	116,701	(116,701)
General revenues:			
State passed through local school district	4,900,469	4,602,604	297,865
Other revenues	4,196	9,729	(5,533)
Contributions	19,936	-	19,936
Total revenues	<u>6,136,519</u>	<u>6,056,489</u>	<u>80,030</u>
Expenses:			
Basic instruction	2,602,901	2,468,441	134,460
Exceptional instruction	99,142	94,670	4,472
Other instruction	165,063	201,754	(36,691)
Health services	30,297	29,474	823
Curriculum development	-	1,527	(1,527)
Staff development	14,054	17,431	(3,377)
Board of directors	18,790	15,518	3,272
School administration	1,086,176	1,154,553	(68,377)
Food services	234,197	104,937	129,260
Central services	19,431	19,694	(263)
Operation of plant	1,715,092	1,590,911	124,181
Maintenance of plant	8,804	9,061	(257)
Community services	56,578	56,612	(34)
Total expenses	<u>6,050,525</u>	<u>5,764,583</u>	<u>285,942</u>
Change in net assets	85,994	291,906	(205,912)
Net assets (deficit) - beginning	248,795	(43,111)	291,906
Net assets (deficit) - ending	<u>\$ 334,789</u>	<u>\$ 248,795</u>	<u>\$ 85,994</u>

Program revenues: The increase in charges for services is related to the increase in student enrollment by 8% over the prior year, which facilitated additional fund raising and after care revenues. The decrease in operating grants and contributions is impacted by several changes: (1) The ARRA state fiscal stabilization grant of approximately \$237,000 was not repeated in the current year; and (2) in the prior year, the School received a charter school implementation grant of approximately \$290,000, of which approximately \$173,000 was spent on operating activities. These losses in funds were only partially offset by the Federal Education Jobs funds of approximately \$159,000, which were received in the prior year but expended in the current year; and an increase in food reimbursements for approximately \$49,000. The decrease in capital grants and contributions is the portion of the charter school implementation grant received in the prior year, which was used to purchase computers, software and library books.

General revenues: State passed through local school district increased because enrollment increased by 8%. In addition, the School received recognition funding for approximately \$52,000.

Expenses: Basic instruction increased because the School created an assistant principal position. In addition, the School was awarded A+ funding for approximately 52,000, which was paid to the teachers as a bonus. School administration decreased mainly because the management company waived the loss mitigation fees of approximately \$142,000. Food services increased because of enrollment increase of 8%; in addition the School has outsourced the preparation of meals to a private vendor. Operation of plant increase by CPI 8% over prior year, which approximated \$124,000.

Financial Analysis of the Government's Funds. As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$116,878.

General Fund Budgetary Highlights. The final budgeted expenditures of the general fund is approximately \$34,000 lower than the original budget. This change was primarily due to a revision downward for other school service expenses.

The School's final budgeted expenditures for general fund exceeded actual expenditures by \$59,071, which is related to reduced expenditures for salaries and benefits.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$143,556 (net of accumulated depreciation). This investment in capital assets includes buildings improvements and furniture fixture and equipment. Additional information on the School's capital assets can be found in Note C.

Debt administration. The School's long-term liabilities at June 30, 2012 totaled \$10,620. Current year activity represents the increase in accrued rent expense. Additional information on the School's long-term obligations can be found in Note E.

Economic Factors. A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment at 910 students, a 14% increase, for the 012/2013 school year.

Request for Information

This financial report is designed to provide a general overview of Imagine Schools at South Vero's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jonathan Sternberg at 6000 4th Street, Vero Beach, FL 32967.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 329,062
Accounts receivable	13,028
Due from other agencies	3,180
Prepaid expenses	50,543
Due from operating company	130,954
Total current assets	526,767
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Building and fixed equipment	30,323
Furniture, fixtures and equipment	99,457
Audio visual equipment	11,636
Computer software	2,140
Total capital assets	143,556
Total assets	670,323
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	35,109
Accrued payroll and related benefits	267,891
Deferred revenue	21,914
Noncurrent liabilities	
Accrued rent due in one year	10,620
Total liabilities	335,534
NET ASSETS	
Investment in capital assets	143,556
Unrestricted	191,233
Total net assets	\$ 334,789

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

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Basic instruction	\$ 2,602,901	\$ 199,231	\$ 159,058	\$ -	\$ (2,244,612)
Exceptional instruction	99,142	-	-	-	(99,142)
Other instruction	165,063	151,636	-	-	(13,427)
Health services	30,297	-	-	-	(30,297)
Staff development	14,054	-	-	-	(14,054)
Board of directors	18,790	-	-	-	(18,790)
School administration	1,086,176	-	-	-	(1,086,176)
Food services	234,197	151,869	115,207	-	32,879
Central services	19,431	-	-	-	(19,431)
Operation of plant	1,715,092	-	286,847	-	(1,428,245)
Maintenance of plant	8,804	-	-	-	(8,804)
Community services	56,578	148,070	-	-	91,492
Total governmental activities	<u>\$ 6,050,525</u>	<u>\$ 650,806</u>	<u>\$ 561,112</u>	<u>\$ -</u>	<u>(4,838,607)</u>
General revenues:					
					4,900,469
					4,196
					19,936
					<u>4,924,601</u>
					85,994
					<u>248,795</u>
					<u>\$ 334,789</u>

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

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Capital Outlay</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 329,062	\$ -	\$ -	\$ 329,062
Accounts receivable	13,028	-	-	13,028
Due from general fund	-	-	32,879	32,879
Due from other agencies	3,180	-	-	3,180
Prepaid expenses	50,543	-	-	50,543
Due from operating company	130,954	-	-	130,954
Total assets	<u>\$ 526,767</u>	<u>\$ -</u>	<u>\$ 32,879</u>	<u>\$ 559,646</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 35,109	\$ -	\$ -	\$ 35,109
Accrued payroll and other expenses	267,891	-	-	267,891
Deferred revenue	21,914	-	-	21,914
Due to other funds	32,879	-	-	32,879
Total liabilities	<u>357,793</u>	<u>-</u>	<u>-</u>	<u>357,793</u>
FUND BALANCES				
Nonspendable prepaid expenses	50,543	-	-	50,543
Restricted for:				
Lunch program	-	-	32,879	32,879
Unassigned	118,431	-	-	118,431
Total fund balances	<u>168,974</u>	<u>-</u>	<u>32,879</u>	<u>201,853</u>
Total liabilities and fund balances	<u>\$ 526,767</u>	<u>\$ -</u>	<u>\$ 32,879</u>	<u>\$ 559,646</u>

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

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Fund balances - total governmental funds \$ 201,853

The net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Building and fixed equipment, net	\$ 30,323	
Furniture, fixtures and equipment, net	99,457	
Audio visual equipment, net	11,636	
Computer software, net	<u>2,140</u>	
Total capital assets		143,556

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued rent		<u>(10,620)</u>
Total net assets of governmental activities		<u>\$ 334,789</u>

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

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the year ended June 30, 2012

	General Fund	Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 115,207	\$ 115,207
State passed through local school district	4,900,469	286,847	-	5,187,316
Program fees	390,795	-	158,578	549,373
Other local revenues	112,818	-	151,869	264,687
Contribution	19,936	-	-	19,936
Total revenues	<u>5,424,018</u>	<u>286,847</u>	<u>425,654</u>	<u>6,136,519</u>
Expenditures				
Current:				
Basic instruction	2,417,131	-	158,578	2,575,709
Exceptional instruction	99,142	-	-	99,142
Other instruction	165,063	-	-	165,063
Health services	30,297	-	-	30,297
Staff development	14,054	-	-	14,054
Board of directors	18,790	-	-	18,790
School administration	1,086,176	-	-	1,086,176
Food services	-	-	234,197	234,197
Central services	19,431	-	-	19,431
Operation of plant	1,482,703	286,847	-	1,769,550
Maintenance of plant	8,804	-	-	8,804
Community services	56,578	-	-	56,578
Fixed capital outlay	41,764	-	-	41,764
Total expenditures	<u>5,439,933</u>	<u>286,847</u>	<u>392,775</u>	<u>6,119,555</u>
Net change in fund balances	(15,915)	-	32,879	16,964
Fund balances at July 1, 2011	184,889	-	-	184,889
Fund balances at June 30, 2012	<u>\$ 168,974</u>	<u>\$ -</u>	<u>\$ 32,879</u>	<u>\$ 201,853</u>

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

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the year ended June 30, 2012

Net change in fund balances - total government funds \$ 16,964

The change in net assets reported for governmental activities
in the statement of activities is different because:

Governmental funds report fixed capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Total fixed capital outlay	\$ 41,763	
Less: depreciation	<u>(34,869)</u>	6,894

Some of the expenses reported in the statement of activities do not
require the use of current financial resources and, therefore, are not
reported as expenditures in governmental funds.

Accrued rent		<u>62,136</u>
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Change in net assets of governmental activities		<u><u>\$ 85,994</u></u>
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The accompanying notes are an integral part of this financial statement.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Imagine Schools at South Vero, (the "School") is a division of Imagine Schools at South Indian River County, LLC (the "Charterholder") which is a Florida limited liability company whose sole member is Imagine School Non-Profit, Inc., a Virginia not-for-profit. The governing body of the School is the Board of Directors, which is comprised of five members. Financial information presented is that of the School only. The School's entire workforce is provided by the management company; therefore, all employee benefits are provided by the management company.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Indian River, Florida (the "District"). The current charter is effective through June 30, 2013. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the School Board of Indian River County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions.

**Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. 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 recorded when the related fund liability is incurred.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

The School reports the following major governmental funds:

General Fund - the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with guidelines established by School Board of Indian River County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

Cash consists of cash on hand at the School and a checking account held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of amounts due from governmental agencies, the management company and other third parties. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid expenses in both government-wide and fund financial statement.

**Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (years)</u>
Buildings and fixed equipment	5 - 20
Furniture, fixtures and equipment	5 - 10
Audio visual equipment	3 - 5
Computer software	3 - 5

8. Deferred revenues

Deferred revenues include amounts collected before the revenue recognition criteria are met under both the modified and full accrual basis of accounting. The deferred items consist of grant revenues not expended.

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

10. Accrued rent

In the government-wide financial statements, accrued rent obligations are reported as liabilities in the statement of net assets. At the end of the current fiscal year, the School had \$10,620 in accrued rent related to the facilities lease agreement.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Revenue sources

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent ("FTE") students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds are withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

12. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income (UBIT). The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2009.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

14. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B - CASH

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The bank balance of the School's deposits was \$329,062 at June 30, 2012. All funds in noninterest-bearing account are insured in full by the FDIC through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2012, none of the School's balances held in banks was exposed to custodial credit risk.

NOTE C - CAPITAL ASSETS

Changes in capital assets activity are as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets depreciated:				
Buildings and fixed equipment	\$ 31,298	\$ 8,500	\$ -	\$ 39,798
Furniture, fixtures and equipment	105,932	29,327	-	135,259
Audio visual materials	14,013	3,936	-	17,949
Computer software	4,409	-	-	4,409
Total assets depreciated	<u>155,652</u>	<u>\$ 41,763</u>	<u>\$ -</u>	<u>197,415</u>
Less accumulated depreciation:				
Buildings and fixed equipment	2,716	\$ 6,759	\$ -	9,475
Furniture, fixtures and equipment	12,928	22,874	-	35,802
Audio visual materials	2,438	3,875	-	6,313
Computer software	908	1,361	-	2,269
Total accumulated depreciation	<u>18,990</u>	<u>\$ 34,869</u>	<u>\$ -</u>	<u>53,859</u>
Total governmental activities capital assets, net	<u>\$ 136,662</u>			<u>\$ 143,556</u>

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense at June 30, 2012 was charged to functions of the School as follows:

Basic instruction	\$	27,192
School administration		7,677
	\$	34,869

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-11, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
School Board of Indian River County, Florida	
Base funding	\$ 3,404,808
Exceptional student education guaranteed allocation	78,551
Class size reduction	940,036
Safe schools	19,611
Critical millage	155,863
Instructional materials allocation	61,353
Science lab materials allocation	974
Student academic improvement	157,722
School improvements	2,585
MAP	32,650
School recognition	51,975
Lead teacher	8,480
Proration	(14,139)
Subtotal	4,900,469
Capital outlay	286,847
Education job funds	158,578
Other state revenues	480
Total from School Board of Indian River County, Florida	5,346,374
National School Lunch Program	115,207
Contributions	19,936
Local fund raising	70,045
Local child care programs	320,270
Other local revenues	112,818
Local food sales	151,869
	\$ 6,136,519

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School entered into an operating agreement with the management company on June 20, 2008. This agreement calls for an indirect cost allocation equal to 12% of the per-pupil funding provided by state and local governments, plus an administrative fee of \$2,500 per month for the first two hundred forty months of operation. The total allocation charged to operations for the year ended June 30, 2012 was \$601,512.

The operating agreement further specifies that the School may request operating capital advances to pay for operating expenses of the School referred to as "Operating Capital Advances". The operating company shall be reimbursed for such advances on the first day of each month in which the funds reside in the School's operating account for which not otherwise reserved by the operating budget. The operating company agrees to contribute 90% of any outstanding Operating Capital Advances at the end of the current fiscal year that are in excess of \$250,000 or 90% of the cumulative loss in excess of \$500,000, however in the current year, the operating company agreed to waive the excess limit. During the year, the School did not receive a contribution under this program.

In consideration of the operating company's commitment to make Loss Mitigation Contributions, the School will pay the operating company a Loss Mitigation Allocation of 2% of total revenues for the first year of operations. For the years after the first year of operation, the School shall pay the operating company fees ranging from 1% to 3% for the Loss Mitigation Allocation.

For the year ended June 30, 2012, the management company amended the management agreement to waive the loss mitigation fees for the current year in support of the School's operating capital. The total refund to be received is \$142,869.

2. Facilities and equipment operating leases

The School has committed to pay a facility allocation to an affiliated company of the management company for the building where the School is located. The School entered into the lease agreement in June 2008 and amended in March 2009. The lease is effective through the length of the School's charter (See Note A-1).

Terms of the lease require an annual base rent of \$1,271,560 for 2011 and \$1,327,560 for the years thereafter. Commencing July 1, 2009 and on July 1 of each year thereafter, the base rent per year is subject to an annual increase equal to the lesser of the overall CPI increase for the immediately preceding calendar year as reported by the Bureau of Labor Statistics or the maximum amount permitted by law and extends through the length of the School's charter. Current year facilities expense charged to operations totaled \$1,338,180 of which \$286,847 was paid through Capital Outlay funding. On the government-wide statements the School has recorded an accrued rent expense of \$10,620 as of June 30, 2012 for the facility use fee.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E - COMMITMENTS AND CONTINGENCIES (continued)

2. Facilities and equipment (continued)

The School has also committed to pay various equipment use fees to their management company for certain equipment use at the School's location. Current year equipment expense charged to operations totaled \$161,321. Terms of the leases specify that the charge for the equipment use fees will be included in the annual budget as may be amended from time to time. The duration of the leases are for a period of 36 months each with payment commencing on July 1, 2009.

During the year ended June 30, 2012, the School made an early settlement of the leased equipment.

A summary of changes in the long-term liabilities related to the accrued rent expense are as follows:

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012	Due within one year
Accrued rent expense	\$ 72,756	\$ -	\$ 62,136	\$ 10,620	\$ 10,620

These liabilities have historically been paid from the general fund.

3. Federal grants

The School participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F - RELATED PARTIES

1. Due to/(from) management company

The School has entered into multiple agreements with the management company. The management company is responsible for organizing, developing, managing, staffing, and operating the School. During the current year, the management company charged fees to the School for management services and certain equipment as described in Note E-1. The due to/(from) management company also reflects activity for operating advances and certain expenses paid on behalf of the School.

The due to/(from) management company activity consists of the following for the year ended June 30, 2012:

	Operating expenses	Management fees	Advances/ Contribution	Due to/(from) management company
Balance at July 1, 2011	\$ 178	\$ (58,385)	\$ 60,000	\$ 1,793
Invoiced	201,591	905,701	-	1,107,292
Payments	(194,055)	(903,115)	-	(1,097,170)
Loss mitigation refund	-	(142,869)	-	(142,869)
Balance at June 30, 2012	<u>\$ 7,714</u>	<u>\$ (198,668)</u>	<u>\$ 60,000</u>	<u>\$ (130,954)</u>

2. Facility and equipment lease

Schoolhouse Finance, LLC, owns the property which is leased to the School (see Note E-2). Presently, this company is wholly owned by the School's management company. Total rent payments charged to the School under their leases amounts to \$1,327,560.

3. Shared employee expenses

The School shares employees with other schools operated by the same management company. A portion of their salaries are allocated to the School on a cost reimbursement basis. The total amount allocated in the current year amounted to \$60,112.

NOTE G - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the School's liability is \$25,000 per occurrence. There have been no significant reductions in insurance coverage during the fiscal year 2012. Settled claims resulting from the risks described above have not exceeded the insurance coverage since the School's inception.

**Imagine Schools at South Vero
(A division of Imagine Schools at South Indian River County, LLC)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE H - SUBSEQUENT EVENT

The School has evaluated subsequent events through September 11, 2012, the date at which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Imagine Schools at South Vero
(A division of Imagine School at South Indian River County, LLC)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Base FTE funding	\$ 4,874,938	\$ 4,816,324	\$ 4,848,494	\$ 32,170
Supplemental fee revenue	550,794	607,696	555,588	(52,108)
Contribution	-	19,936	19,936	-
Gross school revenue	<u>5,425,732</u>	<u>5,443,956</u>	<u>5,424,018</u>	<u>(19,938)</u>
Expenditures				
Non-profit expenditures				
Facility use fee	1,031,900	1,025,878	1,025,878	-
Total non-profit expenditures	<u>1,031,900</u>	<u>1,025,878</u>	<u>1,025,878</u>	<u>-</u>
School operating expenditures				
Salaries and benefits	2,967,043	2,981,431	2,932,084	49,347
Other school service expense	215,390	201,547	198,257	3,290
Direct educational expense	97,709	94,743	90,332	4,411
General and administrative	276,396	286,871	279,781	7,090
Facility operating expense	150,684	145,152	145,152	-
Equipment use fees	146,724	124,640	124,640	-
Marketing and enrollment	3,568	3,267	3,267	-
Total school operating expenditures	<u>3,857,514</u>	<u>3,837,651</u>	<u>3,773,513</u>	<u>64,138</u>
Indirect costs	576,064	567,998	571,512	(3,514)
Total expenditures	<u>5,465,478</u>	<u>5,431,527</u>	<u>5,370,903</u>	<u>60,624</u>
Net change in fund balances	<u>\$ (39,746)</u>	<u>\$ 12,429</u>	53,115	<u>\$ 40,686</u>
Adjustments to conform with GAAP:				
Accrued rent			(62,136)	
Capital outlay expenditures			(41,763)	
Depreciation expense			<u>34,869</u>	
Excess of revenue over expenditures (GAAP basis)			(15,915)	
Fund balances at July 1, 2011			<u>184,889</u>	
Fund balances at June 30, 2012			<u>\$ 168,974</u>	

See accompanying note to required supplemental information.

Imagine Schools at South Vero
(A division of Imagine School at South Indian River County, LLC)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

For the year ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Federal, state & local revenue	\$ 306,280	\$ 286,847	\$ 286,847	\$ -
Expenditures				
Non-profit expenditures				
Facility use fee	306,280	286,847	286,847	-
Change in fund balances	-	-	-	-
Fund balances at July 1, 2011	-	-	-	-
Fund balances at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplemental information.

Imagine Schools at South Vero
(A division of Imagine School at South Indian River County, LLC)

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2012

NOTE A - BUDGETARY INFORMATION

1. Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors. Since the budgetary basis differs from accounting principles generally accepted in the United States (GAAP), budget and actual amounts in the accompanying required supplemental information are presented on the budgetary basis. A reconciliation to the net change in fund balances presented in conformity with GAAP is set forth in the adjustments to the required supplementary information. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

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

To the Board of Directors
Imagine Schools at South Indian River County, LLC
Vero Beach, Florida

We have audited the financial statements of governmental activities, each major fund and the aggregate remaining fund information of Imagine Schools at South Vero (the "School"), a component unit of the School Board of Indian River County, Florida and a division of Imagine Schools at South Indian River County, LLC (the "Charterholder") as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 10, 2012. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. 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*.

This report is intended solely for the information and use of the School's management, Board of Directors, others within the entity, regulatory agencies of federal and state governments, the School Board of Indian River County, Florida, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

September 11, 2012
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

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MANAGEMENT LETTER

To the Board of Managers
Imagine Schools at South Indian River County, LLC
Vero Beach, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Imagine Schools at South Vero (the "School"), a component unit of the School Board of Indian River County, Florida and a division of Imagine Schools at South Indian River County, LLC (the "Charterholder"), as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated September 11, 2012.

We conducted our audit 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 11, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of the charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned Auditors' reports or schedule:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Imagine Charter Schools at South Vero, which is a division of Imagine Schools at South Indian River County, LLC which is a Florida limited liability company.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Imagine Charter School at South Vero's management, Board of Managers, others within the entity, the School Board of Indian River County, Florida, the State of Florida Office of the Auditor General and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 11, 2012
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Current Year Management Recommendations

There are no management recommendations for the current year.



INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Annual Financial Report

June 30, 2012

(With Independent Auditors' Report Thereon)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Annual Financial Report

June 30, 2012

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Independent Auditors' Report

The Board of Directors
Indian River Charter High School, Inc.:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., as of June 30, 2012, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2012 on our consideration of the Indian River Charter High School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 10 and on pages 27 and 28, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

September 18, 2012

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Management's Discussion and Analysis

This section of the Indian River Charter High School, Inc.'s (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the School's basic financial statements, which immediately follow this section.

Highlights

The composition of the School's financial condition improved as a result of the School's continuing growth, sound management and expansion.

The School's net assets increased by \$43,527 or 0.8%. In comparison, the prior year experienced an increase of \$313,845. The change reflected in the past two years is primarily due to a decrease in funds per student (FTE) revenues received by the School. Six hundred thirty five students were enrolled in the 2010-2011 school year and enrollment decreased to six hundred twenty four students for the 2011-2012 school year. FTE revenues decreased 7.0% from the prior year. The School received offset funding from the federal government through an America Recovery and Reinvestment Act grant of \$28,139 in the current year, which was down \$280,210 or 90.9% from prior year's grant funding. The School also remained aware of the current economic trends and maintained expenses, which increased \$36,168 or 0.8% from the prior year.

At year end, the School accumulated a surplus of unrestricted net assets of \$1,596,706, which was a decrease of \$122,667 for this fiscal year.

In addition to the above financial highlights, the School also achieved the following nonfinancial results:

- School students enrolled in more dual-enrollment classes at Indian River State College than any other high school in the county during the 2011-2012 school year.
- School students earned an average of 21.9 composite score on the ACT, which is higher than both the district and national average. The ACT composite score reflects an increase of .8 from 2010-2011. On the individual English, Mathematics, Reading and Science subsections, students scored higher than the state average. In the areas of English, Algebra, Social Science and Biology, the percentage of IRCHS students deemed by the ACT to be prepared for college-level coursework is higher than the national average.
- Although high school grades have not been released to date, the Florida Department of Education has released Performance and Learning Gains. The School earned 576 points, placing the School 49 points higher than any other high school in the district.
- For the 2011-2012 school year, School students scored higher on the Geometry End of Course Exam than any other high school in the district. FCAT scores continue to be the highest in the district.

(Continued)

- The School's Visual and Performing Arts programs (VAPA) was recognized with a variety of regional and state-wide accolades including:
 - In partnership with the Vero Beach Theatre Guild, the Visual and Performing Arts departments combined efforts to produce the School's annual musical Cinderella. The production was a huge success and earned \$12,696 in revenue, which will be utilized to finance this year's production of *Alice in Wonderland*.
 - In conjunction with the School's Ballet program, the Drama department presented their own creative version of "Midsummer's Night Dream" combining the words of Shakespeare with the music of Felix Mendelssohn. The Blackbox produced 10 plays including one acts, scene showcases and full production plays. Our most successful production, *When in Dreams*, required four encore performances to accommodate huge audiences. This piece highlighted the lives and artistic works of Michael Aversa and Nolan Adams.
 - Although one of the smallest teams in attendance, the competitive acting team (Comp Theater) won over 72 medals at district competition. All medals earned were "excellent" or "superiors". The ensemble piece won "Best in Show" for the entire district. At the state level, all of the performers received "excellent" or "superior" ratings. Our one act, *Women and Wallace*, also won a "superior" rating.
 - The School's Jazz Ensembles continue to expand their performance venues by providing music for Rotary Club functions, the Ft. Pierce Jazz and Blues Society, Treasure Coast Jazz Society, Indian River Chamber of Commerce, the Educational Foundation, and Boy's and Girl's Club. Ensembles also performed at the Hibiscus Festival in downtown Vero Beach, and for numerous charities including the Autism Speaks Charity and the American Cancer Society. VAPA Jazz ensembles have performed at the First Church of God's monthly coffee house. Student ensembles have been hired to play at events sponsored by the United Church of Christ, Lion's Club, Elks Club, Youth for Christ, and the Winterfest Celebration each year at Pointe West. Two Students received prestigious scholarship awards for their musical abilities from the Ft. Pierce Jazz and Blues Society, and another student won 2nd Place in the Treasure Coast Jazz Society scholarship competition. Graduates who have pursued music have been accepted into Berklee College of Music in Boston, Belmont in Nashville, University of North Florida, University of Central Florida, and McNally Smith College in Minneapolis, as well as our very own Indian River State College.
 - The School's Choral program, for the academic year of 2011-2012, participated in the annual fall curriculum presentation based on the Baroque era. Performing music from Handel's efforts, they also provided the ambience for the show by wearing costumes appropriate for the time period and also took on the persona of a character from the Baroque era. The choir also provided several community concerts during the holiday season. Two themed concerts were prepared and presented. One program, the "Sacred Only Christmas Concert" was presented in collaboration with the schools string program and also the Handbell Choir from the local church that hosted the concert. The other concert, Holidays at the Heritage Center, focused on the secular side of the holidays and provided a lively atmosphere set in a dinner theater format. In addition to these two concerts, the choir's advance ensemble provided approximately 14 other concerts for a variety of local civic organizations and gated communities.

(Continued)

- The second half of the year was devoted to preparing for the Choral Music Performance Assessment event held on a district level in February. The choir's successful efforts resulted in a superior rating and also a qualifying for the state level of assessment. The choir participated in this level and received a superior rating here as well. The choir ended the year by performing in the annual spring curriculum presentation by performing an original work by one of the choir members, a choreographed selection based on the 1980's pop music culture, and also again collaborating with the school's string program in presenting Mozart's Ave Verum.
- One final event took place during the summer, the Aegean Sea Music Festival in Greece. Ten current choir members participated. This invitation-only event was under the direction of Mr. John Rutter, a world-renowned composer, arranger and conductor and Maestro Peter Tiboris, a well-known conductor.
- The Visual Arts program enhanced the Fall Semester Show, by producing the second annual Children's Art Fair that brought in an attendance estimated at over 1,000 local elementary students. Students won many awards in the Vero Beach Museum's Art Show. Many fine pieces of student works were preserved and are now on permanent display in interior and exterior spaces around the campus. Numerous scholarships were given to our students in the visual arts as they pursue their talents at the university level.
- This year we wait with excitement for the completion of the covering of the courtyard, which in turn will produce a versatile gathering area for the complete school population and a viable performing art's venue on campus. The covering for the courtyard was graciously donated through funds from John and Cathy Schumann and was further enhanced by a significant donation by the Archie S. Wingfield Charitable Trust through attorney Charles Garris. These contributions came at the conclusion of our annual Fall Fundraiser, this year entitled, "Going Baroque." Future fundraisers will now be held in this same area without the major cost of rentals that had occurred in the past, allowing a greater percentage of our contributed funds from this event to go directly to school needs.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are School-Wide financial statements that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the School-Wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about activities that are operated like businesses. The School currently has no proprietary funds.
- Fiduciary funds statements provide information about the financial relationships in which the School acts solely as agent for the benefit of others.

(Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

School-Wide Statements

The School-Wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-Wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the School, consideration needs to be given to additional nonfinancial factors such as the grade assessed under the State of Florida's school grading system and the number of full-time equivalents of students attending the School.

In the School-Wide financial statements, the School's activities are divided into two categories:

- Governmental activities – The School's basic services are included here, such as regular and special education, transportation, and administration. Intergovernmental revenues from the Indian River County School Board (initially funded by property taxes) finance most of these activities.
- Business-type activities – These activities charge fees to help cover the costs of services provided. The School currently has no activities that would be classified as business-type.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The School establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (like Federal grants).

(Continued)

There are three kinds of funds:

- Governmental funds – The School’s basic services are included in governmental funds, which generally focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the School-Wide statements, we provide additional information with the governmental funds statements that explains the relationship or differences between them.
- Proprietary funds – Services for which a fee is charged are generally reported in proprietary funds. Proprietary funds are reported in the same way as the School-Wide financial statements. The School currently has no funds that would be considered proprietary funds.
- Fiduciary funds – The School is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and scholarship funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the School-Wide financial statements because the School cannot use these assets to finance its operations.

Financial Analysis of the School as a Whole

Net assets of the School’s governmental assets consisted of the following as of June 30, 2012 and 2011:

		Net Assets – Governmental Activities	
		<u>2012</u>	<u>2011</u>
Current and other assets	\$	2,422,005	2,626,141
Capital assets, net		<u>5,326,659</u>	<u>5,440,515</u>
Total assets		<u>7,748,664</u>	<u>8,066,656</u>
Current liabilities		323,444	388,715
Long-term debt		<u>1,939,337</u>	<u>2,235,585</u>
Total liabilities		<u>2,262,781</u>	<u>2,624,300</u>
Net assets:			
Invested in capital assets		3,425,548	3,249,823
Restricted		463,629	473,160
Unrestricted		<u>1,596,706</u>	<u>1,719,373</u>
Total net assets	\$	<u>5,485,883</u>	<u>5,442,356</u>

The School’s net assets increased by \$43,527, or 0.8%, from the prior year. This is a decrease from prior year’s increase of \$313,845. In the current year, FTE revenues from the Indian River County School District decreased. The School continued to carefully monitor its expenses to stay within its tightened budget due to decreasing revenues.

During the year ended June 30, 2012, the School received a \$400,000 capital expenditure grant, which is restricted for future enhancement of its Visual and Performing Arts venue.

(Continued)

The School had no business-type assets as of June 30, 2012 and 2011. The following schedule compares revenues and expenses during the years ended June 30, 2012 and 2011:

	<u>Change in Net Assets – Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
General revenues:		
Intergovernmental	\$ 3,824,119	4,186,520
Other	92,086	46,283
Operating grants and contributions	95,346	398,202
Contributions for capital expenditures	400,000	-
Special item – loss on disposal of capital assets	<u>(16,936)</u>	<u>(2,240)</u>
Total revenues	<u>4,394,615</u>	<u>4,628,765</u>
Expenses:		
Instruction related	2,779,231	2,827,860
Administration	516,193	529,870
Food service	6,413	7,699
Transportation	4,058	5,178
Maintenance and operations	454,470	419,724
Other	<u>590,723</u>	<u>524,589</u>
Total expenses	<u>4,351,088</u>	<u>4,314,920</u>
Change in net assets	\$ <u>43,527</u>	<u>313,845</u>

Total revenues for the year decreased by \$234,150, or 5.1%, due to decreased operational revenue allocated on a per-student basis (FTE revenues) in the amount of \$263,153. The School received offset funding from the federal government through an America Recovery and Reinvestment Act grant of \$28,139 in the current year, which was down \$280,210 or 90.9% from prior year's grant funding of \$308,349.

Total expenses increased \$36,168, or 0.8%, due to the School's conscientious budgeting decisions reflecting an investment in instruction related expenses.

Financial Analysis of the School's Funds

The School's general fund assets increased \$20,544 during the year to \$1,915,419, decreased its cash by \$13,122 and decreased its reserves by \$122,667. The net decrease in reserves was attributable to a decrease in FTE revenues of \$183,915 in addition to an increase in expenses of \$270,335 and offset by an increase in contributions and student fees of \$26,496.

The School's special revenue fund consisted of funding received under the America Recovery and Reinvestment Act (ARRA) Fund. The Special Revenue – ARRA Fund does not report fund balance because revenues are reported to the extent of expenditures. This new funding became available in the prior year from the federal government in an effort to stimulate the economy and to keep teachers employed. The School received \$28,139 in the current year as the grant was completed.

The net decrease of \$9,531 in the School's capital projects fund reflects a \$223,575 increase in revenues and a \$953,639 decrease in expenditures as the School continues to maintain its facilities and upgrade educational equipment where needed as budgetary restrictions allow.

(Continued)

Current Budget

Annually, the School's Board of Directors approves a general fund budget for the upcoming fiscal year prior to the beginning of that fiscal year. The following table presents the general fund budget, as approved, as compared to 2011/2012 actual results.

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local	\$ 3,617,114	3,494,449	3,494,449	—
Other	<u>73,737</u>	<u>104,541</u>	<u>157,747</u>	<u>53,206</u>
Total revenues	<u>3,690,851</u>	<u>3,598,990</u>	<u>3,652,196</u>	<u>53,206</u>
Expenditures:				
Current – education:				
Instruction related	2,654,376	2,865,851	2,779,231	86,620
Administration	506,033	504,083	516,193	(12,110)
Food service	—	6,414	6,413	1
Transportation	8,000	4,500	4,058	442
Maintenance and operations	484,642	441,009	426,331	14,678
Other	—	—	<u>42,637</u>	<u>(42,637)</u>
Total expenditures	<u>3,653,051</u>	<u>3,821,857</u>	<u>3,774,863</u>	<u>46,994</u>
Net change in fund balance	\$ <u>37,800</u>	<u>(222,867)</u>	<u>(122,667)</u>	<u>100,200</u>

The School's net change in general fund balance was favorably impacted by better than expected other revenue sources and their efforts to maintain or reduce expenditures, primarily in the instruction related areas.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the School had invested \$5,326,659 in a variety of capital assets, as reflected in the following schedule, which represents a net decrease (additions less disposals and depreciation) of \$113,856 or 2.1% from the end of last year.

	<u>2012</u>	<u>2011</u>
Improvements other than buildings	\$ 358,626	359,560
Buildings and improvements	4,598,699	3,639,733
Furniture, fixtures, and equipment	309,396	183,648
Audio/visual equipment	3,997	9,500
Computer software	15,161	21,984
Construction in progress	<u>40,780</u>	<u>1,226,090</u>
Governmental capital assets, net	\$ <u>5,326,659</u>	<u>5,440,515</u>

The decreases indicated above reflect the stabilizing of the School's expenditures in comparison to annual depreciation charges, after the School put into service its latest classroom addition in August 2011. Depreciation expense amounted to \$403,646 for the year ended June 30, 2012.

(Continued)

Long-term Debt

During the year ended June 30, 2005, the School completed construction on the buildings to house its new visual and performing arts program. The construction was financed with long-term debt of \$3,800,000. The principal balance on the loan at June 30, 2012 is \$1,939,337. The repayment provision calls for monthly installments of \$31,479, including interest at 3.82%, until May 7, 2014 when interest becomes adjustable every five years thereafter, until the debt is repaid on April 7, 2018.

Factors Bearing on the School's Future

At the time these financial statements were prepared and audited, the School was aware of the following circumstances that could significantly affect its financial health in the future:

- The addition of the State of Florida Biology End of Course exam requirement precipitated the need for enhancement of the School's science curriculum. Four classrooms were retrofitted into two science labs to reach this goal. The new science labs have afforded School students the opportunity to engage in higher order academic experiences. To that end, the School applied for and won a \$100,000 grant in conjunction with the Ocean Research and Conservation Association for the 2012-2013 school year. An advanced Marine Science course was added to the master schedule in order to fulfill the grant requirements. Select students applied for acceptance into the course which will focus on the research of Ocean conservation.
- The School has increased its international student population for the 2012-2013 school year. The reputation of the academic program available at the School has become well known in the international arena prompting a rise in the number of international applications submitted and accepted. Currently, the School has a total of twenty-four international students enrolled coming from eight countries. As cultural awareness and understanding is a main focus of the mission of the School, international student attendance offers first hand cultural exposure to local students.
- The popularity of the Visual and Performing Arts department has increased the need for a performance venue. Currently, work is underway to enclose the existing courtyard with a permanent canvas roof. This roof will be equipped with surround sound and stage lighting. The enclosure will create an on-campus location where performances will be housed.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Indian River Charter High School, Inc., 6055 College Lane, Vero Beach, FL 32966.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Net Assets

June 30, 2012

	<u>Total Governmental Activities</u>
Assets:	
Cash	\$ 2,309,209
Other receivables	16,350
Prepaid expenses	58,220
Capital assets, net of accumulated depreciation of \$2,724,788 (note 3)	5,326,659
Unamortized debt issue cost, net of accumulated amortization of \$54,449	<u>38,226</u>
Total assets	<u>7,748,664</u>
Liabilities:	
Accounts payable	7,540
Accrued expenses	182,484
Deferred revenue	133,420
Long-term debt (note 4):	
Due within one year	308,047
Due after one year	<u>1,631,290</u>
Total liabilities	<u>2,262,781</u>
Net Assets:	
Invested in capital assets, net of related debt	3,425,548
Restricted for capital projects	463,629
Unrestricted	<u>1,596,706</u>
Total net assets	<u>\$ 5,485,883</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Activities

Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues – Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets – Governmental Activities</u>
Governmental activities:			
Instruction	\$ 2,448,091	67,207	(2,380,884)
Pupil personnel services	160,708	–	(160,708)
Instructional media services	66,561	–	(66,561)
Technology	103,871	–	(103,871)
School administration	516,193	–	(516,193)
Facilities acquisition and construction	99,637	–	(99,637)
Food service	6,413	–	(6,413)
Pupil transportation services	4,058	–	(4,058)
Operation of plant	433,150	28,139	(405,011)
Maintenance of plant	21,320	–	(21,320)
Interest on long-term debt	80,773	–	(80,773)
Unallocated depreciation expense	403,646	–	(403,646)
Amortization expense	<u>6,667</u>	<u>–</u>	<u>(6,667)</u>
Total governmental activities	\$ <u>4,351,088</u>	<u>95,346</u>	<u>(4,255,742)</u>
General revenues:			
Intergovernmental:			
Local for operational purposes			3,494,449
State through local for capital projects			329,670
Investment earnings			8,242
Miscellaneous			483,844
Special item – loss on disposal of capital assets			<u>(16,936)</u>
Total general revenues and special item			<u>4,299,269</u>
Change in net assets			43,527
Net assets, beginning of year			<u>5,442,356</u>
Net assets, end of year			\$ <u>5,485,883</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Balance Sheet
Governmental Funds

June 30, 2012

<u>Assets</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 1,814,214	—	494,995	2,309,209
Other receivables	16,350	—	—	16,350
Due from other fund (note 2)	26,635	—	—	26,635
Prepaid expenses	<u>58,220</u>	<u>—</u>	<u>—</u>	<u>58,220</u>
	<u>\$ 1,915,419</u>	<u>—</u>	<u>494,995</u>	<u>2,410,414</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	7,540	—	—	7,540
Accrued expenses	177,753	—	4,731	182,484
Due to other fund (note 2)	—	—	26,635	26,635
Deferred revenue	<u>133,420</u>	<u>—</u>	<u>—</u>	<u>133,420</u>
Total liabilities	<u>318,713</u>	<u>—</u>	<u>31,366</u>	<u>350,079</u>
 Fund Balances:				
Nonspendable	58,220	—	—	58,220
Restricted	—	—	463,629	463,629
Committed	265,000	—	—	265,000
Assigned	—	—	—	—
Unassigned	<u>1,273,486</u>	<u>—</u>	<u>—</u>	<u>1,273,486</u>
Total fund balances	<u>1,596,706</u>	<u>—</u>	<u>463,629</u>	<u>2,060,335</u>
	<u>\$ 1,915,419</u>	<u>—</u>	<u>494,995</u>	

Reconciliation of governmental fund balances to entity-wide government activities net assets:

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$8,051,447 and the accumulated depreciation is \$2,724,788.	5,326,659
Long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,939,337)
Unamortized debt issue costs are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$92,675 and the accumulated amortization is \$54,449	<u>38,226</u>

Total net assets – governmental activities \$ 5,485,883

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Federal through state	\$ —	28,139	—	28,139
State through local	—	—	329,670	329,670
Local (note 5)	3,494,449	—	—	3,494,449
Contributions	11,440	—	400,000	411,440
Non-resident tuition	75,600	—	—	75,600
Student fees	56,267	—	—	56,267
Other	<u>14,440</u>	<u>—</u>	<u>1,546</u>	<u>15,986</u>
Total revenues	<u>3,652,196</u>	<u>28,139</u>	<u>731,216</u>	<u>4,411,551</u>
Expenditures:				
Current - education:				
Instruction	2,448,091	—	—	2,448,091
Pupil personnel services	160,708	—	—	160,708
Instructional media services	66,561	—	—	66,561
Technology	103,871	—	—	103,871
School administration	516,193	—	—	516,193
Facilities acquisition and construction	42,637	—	57,000	99,637
Food service	6,413	—	—	6,413
Pupil transportation services	4,058	—	—	4,058
Operation of plant	405,011	28,139	—	433,150
Maintenance of plant	21,320	—	—	21,320
Debt service:				
Principal	—	—	296,248	296,248
Interest	—	—	80,773	80,773
Capital outlay:				
Facilities acquisition and construction	<u>—</u>	<u>—</u>	<u>306,726</u>	<u>306,726</u>
Total expenditures	<u>3,774,863</u>	<u>28,139</u>	<u>740,747</u>	<u>4,543,749</u>
Other financing sources (uses):				
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	(122,667)	—	(9,531)	(132,198)
Fund balances, beginning of year	<u>1,719,373</u>	<u>—</u>	<u>473,160</u>	<u>2,192,533</u>
Fund balances, end of year	\$ <u>1,596,706</u>	<u>—</u>	<u>463,629</u>	<u>2,060,335</u>

See accompanying notes to basic financial statements.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)

Year Ended June 30, 2012

	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities:	
Net change in fund balances – total governmental funds	\$ (132,198)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays 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 by which capital outlays (\$306,726) exceed depreciation expense (\$403,646).	(96,920)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net assets and does not affect the statement of activities.	296,248
The payment of debt issue costs is an expenditure in the governmental funds, however, the costs are allocated over their useful lives as amortization expense. This is the amount by which debt issue costs (\$-0-) exceed amortization expense (\$6,667).	(6,667)
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold.	<u>(16,936)</u>
Change in net assets of governmental activities	\$ <u>43,527</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Fiduciary Net Assets
Agency Funds

June 30, 2012

	<u>Total Agency Funds</u>
Assets:	
Cash	\$ <u>97,724</u>
Total assets	\$ <u>97,724</u>
Liabilities:	
Amounts held for others	<u>97,724</u>
Total liabilities	\$ <u>97,724</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

June 30, 2012

(1) Organization and Summary of Significant Accounting Policies

Indian River Charter High School, Inc. (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The School was incorporated on March 27, 1998 and is governed by a Board of Directors.

The general operating authority of the School is contained in Section 228.056, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board (the District). The current charter was renewed on January 14, 2003 and is effective until June 30, 2018. The charter may be renewed by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant policies.

(a) Reporting Entity

The reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization; or (c) is obligated in some manner for the debt of the organization. There are no component units of the School.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(b) Basic Financial Statements

The basic financial statements include both School-Wide (based on the School as a whole) and fund financial statements. Both the School-Wide and fund financial statements categorize primary activities as either governmental or business type. In the School-Wide statement of net assets, governmental and business-type activities are presented separately and are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt. As of and for the year ended June 30, 2012, the School had no activities that would be considered business-type.

The School-Wide statement of activities reflects both the gross and net costs per functional category (instruction, administration, maintenance, etc.), which are otherwise being supported by general government revenues, such as property taxes and intergovernmental revenues. The statement of activities reduces gross expenses, including depreciation, by related program revenues such as discretionary grants that can be used for either operating or capital purposes. The net cost by function is normally covered by general revenues.

This School-Wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The governmental funds in the fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and the source and use of liquid resources. Revenues are recognized when they become measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Generally, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the School-Wide statements, reconciliations are presented on each of the fund financial statements, which briefly explain the adjustments necessary to transform the fund based financial statements into the total governmental column of the School-Wide presentation.

The School's fiduciary funds are presented in the fund financial statements and since, by definition, these assets are being held for the benefit of others and cannot be used to address activities or obligations of the School, these funds are not incorporated into the School-Wide financial statements.

(c) Basis of Presentation

The financial transactions of the School are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that records cash and other financial resources, liabilities, reserves, fund equity, revenues, and expenditures.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

Governmental Funds

The School defines governmental funds in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The School has determined all of its funds to be major funds, as described below.

General Fund

The General Fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue – American Recovery and Reinvestment Act (ARRA) Fund

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It is used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes. During the year ended June 30, 2012, the School's special revenue funds were used to account for certain Federal grant program resources provided for operations and other programs as set out in the American Recovery and Reinvestment Act of 2009.

Capital Projects Fund

Capital projects funds are used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for educational capital outlay needs, including new construction or renovation and remodeling projects and other capital assets. During the year ended June 30, 2012, the School used the capital projects fund to account for capital outlays funded by capital outlay revenues and long-term debt.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to businesses. As of and for the year ended June 30, 2012, the School had no activities which would be accounted for in a proprietary fund.

Fiduciary Funds – Agency Funds

The School accounts for the scholarship funds and the student activities funds in the agency fund.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(d) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The School-Wide financial statements are presented on an accrual basis of accounting, while the governmental funds in the fund financial statements are presented on a modified accrual basis.

Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized when they are susceptible to accrual; when they become measurable and available to finance the School's operations. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the liabilities are incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the School may recognize receivables and revenue when the applicable eligibility requirements including time requirements have been met. Revenues for certain grants are recognized when the expenditures are made when grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources. Resources provided before eligibility requirements are met are reported as deferred revenues.

(e) Budgets and Budgetary Accounting

The School annually adopts a budget for all governmental funds. Budgets are presented on the modified accrual basis of accounting. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget, which has been adjusted for authorized revisions during the year.

(f) Cash

The School's cash includes demand deposits with financial institutions, which are insured in part by Federal depository insurance. As of June 30, 2012, the School's demand deposit accounts exceeded Federal deposit insurance limits by \$376,361.

In addition, the School's excess cash are invested into repurchase agreements providing for maturity on a daily basis and are collateralized with Federal agency securities held by the assigning bank. As of June 30, 2012, cash includes \$1,696,679 of deposits invested in overnight repurchase agreements. The underlying securities pledged by the bank as collateral had market values totaling \$1,698,741 as of June 30, 2012.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
 (A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(g) Capital Assets

Property and equipment purchased are reported at historical cost, net of accumulated depreciation, in the School-Wide financial statements but are not reported in the governmental fund financial statements. Contributed property and equipment are recorded at the fair market value at the time received. Expenditures for capital assets are reported in the governmental fund that financed the acquisition or construction. The School's capitalization level is \$1,000. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is recorded in the School-Wide financial statements only and is provided on a straight-line basis over the following estimated useful lives:

	Years
Improvements other than buildings	10 – 20
Buildings and improvements	10 – 25
Furniture, fixtures, and equipment	5 – 10
Audio/visual equipment	7
Computer software	3

(h) Compensated Absences

Compensated absences for vacation, sick, and other personal leave are provided for all regular, full-time employees. An employee may accrue leave based on School policy which differs between full time instructional staff and full time year-round administrative staff. However, employees are not entitled to cash payment in lieu of taking leave or upon termination. Compensated absences are recorded as expenditures when leave is used and no liability for compensated absences is reflected in the financial statements.

(i) Long-Term Debt

Long-term obligations that will be financed by resources to be received in the future are reported in the School-Wide financial statements, but not in the governmental fund financial statements. Loan costs are deferred and amortized over the life of the related debt.

(j) Fund Balance Reporting

The School classifies fund balances in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established fund balance classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of resources in governmental funds, as summarized below (in order of spending).

Nonspendable

Nonspendable fund balance represents resources that are not in spendable form or are legally required to be maintained intact. The School's nonspendable fund balance consists of prepaid expenses as of June 30, 2012.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

Restricted

Restricted fund balance represents resources that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The School's restricted fund balances consist of resources held for capital projects as of June 30, 2012.

Committed

Committed fund balance represents resources that can be spent only for the specific purposes established by the School's Board of Directors (the School's highest level of decision-making authority). The School's committed fund balances consist of resources set aside by the board for payment of insurance deductibles in the case of a catastrophic storm.

Assigned

Assigned fund balance represents resources that are intended to be spent for specific purposes, but do not meet the definition of restricted or committed fund balances. The School's Board of Directors, committees of the Board of Directors and School management have the ability to assign fund balances.

Unassigned

Unassigned fund balance represents resources that do not have any constraints upon spending.

(k) Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under provisions of Section 236.081, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

(l) Income Taxes

The School is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, the Center is not considered a private foundation.

The School's income tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2009-2012.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(m) Use of Estimates

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

(2) Receivables

Prior to 2012, the Indian River County School District held Capital Outlay funds in an investment account on behalf of the School. As of June 30, 2011, such funds amounted to \$432,062, which were released to the School in 2012.

As of June 30, 2012, the School's general fund was due \$26,635 from the capital projects fund for capital expenditures funded by the general fund.

(3) General Capital Assets

The following is a summary of the changes in the School's governmental capital assets for the year ended June 30, 2012:

	Balance <u>2011</u>	<u>Additions</u>	Retirements and <u>Transfers</u>	Balance <u>2012</u>
Improvements other than buildings	\$ 600,297	2,284	31,610	634,191
Buildings and improvements	5,143,444	57,194	1,123,625	6,324,263
Furniture, fixtures, and equipment	765,663	203,990	(8,120)	961,533
Audio/visual equipment	33,309	-	-	33,309
Computer software	54,893	2,478	-	57,371
Construction in progress	<u>1,226,090</u>	<u>40,780</u>	<u>(1,226,090)</u>	<u>40,780</u>
Total capital assets	<u>7,823,696</u>	<u>306,726</u>	<u>(78,975)</u>	<u>8,051,447</u>
Less accumulated depreciation for:				
Improvements other than buildings	240,737	34,828	-	275,565
Buildings and improvements	1,503,711	254,108	(32,255)	1,725,564
Furniture, fixtures, and equipment	582,015	99,906	(29,784)	652,137
Audio/visual equipment	23,809	5,503	-	29,312
Computer software	<u>32,909</u>	<u>9,301</u>	<u>-</u>	<u>42,210</u>
Total accumulated depreciation	<u>2,383,181</u>	<u>403,646</u>	<u>(62,039)</u>	<u>2,724,788</u>
Governmental capital assets, net	<u>\$ 5,440,515</u>	<u>(96,920)</u>	<u>(16,936)</u>	<u>5,326,659</u>

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

In an effort to further extend the benefits of the Indian River Charter High School to a larger school population, the School completed construction of a physical addition to the school facilities during the year ended June 30, 2005. The total cost of the construction was \$4,335,230, a portion of which was funded by a \$3,800,000 mortgage note payable (see note 4). The addition was placed into service in June 2005. In addition, a new 8 classroom building was constructed and placed in service in 2012.

As of June 30, 2012, the School had entered into a \$407,800 contract to provide a courtyard enclosure with permanent canvas roof, and related sound and lighting equipment. As of June 30, 2012, the School had provided a \$40,780 deposit under the contract.

(4) Long-Term Debt

The following is a summary of the changes in the School's long-term debt for the year ended June 30, 2012:

	<u>Balance</u> <u>2011</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2012</u>
\$3,800,000 Mortgage note payable, monthly installments of \$31,479, including interest at 3.82%, through May 7, 2014; then interest is adjustable at the 5 year Treasury Rate plus 3% and every 5 years thereafter, monthly principal and interest payments due through April 7, 2018	\$ <u>2,235,585</u>	<u>—</u>	<u>296,248</u>	<u>1,939,337</u>

The mortgage note payable is secured by all buildings, improvements, other real property, and all personal property of the School, and is 90% guaranteed by the United States Department of Agriculture.

The future maturities of long-term debt for each of the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 308,047	69,697	377,744
2014	320,192	57,552	377,744
2015	332,816	44,928	377,744
2016	345,857	31,887	377,744
2017	359,573	18,171	377,744
2018	<u>272,852</u>	<u>4,361</u>	<u>277,213</u>
	<u>\$ 1,939,337</u>	<u>226,596</u>	<u>2,165,933</u>

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(5) *Schedule of Local Revenue Sources*

The following is a schedule of local revenue sources and amounts:

<u>Sources</u>	<u>Amount</u>
Indian River County District School Board:	
Florida Education Finance Program	\$ 2,738,780
Discretionary lottery funds	1,927
Class size	571,059
School academic improvement	120,994
Instructional materials and teacher training	47,067
Safe schools	<u>14,622</u>
Total	\$ <u>3,494,449</u>

The School's charter contract provides for a discretionary District administrative fee of up to 5% of the revenues received on a per-student basis. During the 2011-2012 school year, and in consideration of the School's classification as a "high performing charter school," the state of Florida provided for the administrative fee to be assessed on the first 250 students at a rate of 2.5%. In accordance with this provision, the District withheld \$27,964 from the School's revenues for the year ended June 30, 2012, which was included in school administration expenses in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balances.

(6) *Leases*

The School leases land and certain buildings under a lease agreement with Indian River State College through March 31, 2018. The lease provides for payments of \$4,750 per month for each of the five years ending March 31, 2013; and \$5,000 per month for each of the five years ending March 31, 2018. The lease has an option to be renewed for ten additional years.

During the year ended June 30, 2011, the School entered into a 63 month lease for their copying equipment. The lease provides for payments of \$1,489 per month through June 30, 2015.

Total rent expense incurred during the year ended June 30, 2012 amounted to \$74,868.

The future lease commitments as of June 30, 2012 follow:

2013	\$ 75,618
2014	77,868
2015	77,868
2016	70,423
2017 – 2018	<u>105,000</u>
	\$ <u>406,777</u>

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(7) ***Risk Management***

The School maintains general liability, professional liability, automobile liability, and workers' compensation coverages through purchased commercial insurance with minimal or no deductibles for each line of coverage. The School also maintains property coverage with a deductible of \$5,000 for all perils except wind or hail. For these perils, the deductible is 5%, with a minimum of \$50,000.

(8) ***Pension Plan***

The School's employees participate in a salary deferral plan under Internal Revenue Code 403(b). The School currently contributes on a discretionary basis 15% of all full-time employees' salaries and matches the first \$500 in employee contributions on a dollar-for-dollar basis. The employees vest in all employer contributions evenly over a three-year period of service. Employees hired after September 1, 2008 vest in all employer contributions evenly over a five-year period of service. During the year ended June 30, 2012, the School provided for contributions approximating \$338,668.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and
Changes in Fund Balances -- Budget and Actual

General Fund

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State	\$ —	—	—	—
Local	3,617,114	3,494,449	3,494,449	—
Contributions	—	—	11,440	11,440
Other	<u>73,737</u>	<u>104,541</u>	<u>146,307</u>	<u>41,766</u>
Total revenues	<u>3,690,851</u>	<u>3,598,990</u>	<u>3,652,196</u>	<u>53,206</u>
Expenditures:				
Current – education:				
Instruction	2,335,085	2,535,382	2,448,091	87,291
Pupil personnel services	169,741	162,510	160,708	1,802
Instructional media services	64,238	63,476	66,561	(3,085)
Technology	85,312	104,483	103,871	612
School administration	506,033	504,083	516,193	(12,110)
Facilities acquisition and construction	—	—	42,637	(42,637)
Food service	—	6,414	6,413	1
Pupil transportation services	8,000	4,500	4,058	442
Operation of plant	463,142	417,509	405,011	12,498
Maintenance of plant	<u>21,500</u>	<u>23,500</u>	<u>21,320</u>	<u>2,180</u>
Total expenditures	<u>3,653,051</u>	<u>3,821,857</u>	<u>3,774,863</u>	<u>46,994</u>
Other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	37,800	(222,867)	(122,667)	100,200
Fund balance, beginning of year	<u>1,517,353</u>	<u>1,586,040</u>	<u>1,719,373</u>	<u>133,333</u>
Fund balance, end of year	\$ <u>1,555,153</u>	<u>1,363,173</u>	<u>1,596,706</u>	<u>233,533</u>

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual

Special Revenue Fund

Year Ended June 30, 2012

		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
		<u>Original</u>	<u>Final</u>		
Revenues:					
Federal through state	\$	<u>26,182</u>	<u>26,182</u>	<u>28,139</u>	<u>1,957</u>
Total revenues		<u>26,182</u>	<u>26,182</u>	<u>28,139</u>	<u>1,957</u>
Expenditures:					
Current – education:					
Operation of plant		<u>26,182</u>	<u>26,182</u>	<u>28,139</u>	<u>(1,957)</u>
Total expenditures		<u>26,182</u>	<u>26,182</u>	<u>28,139</u>	<u>(1,957)</u>
Other financing sources (uses)		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, beginning of year		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, end of year	\$	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Board of Directors
Indian River Charter High School, Inc.:

We have audited the basic financial statements of Indian River Charter High School, Inc. (the School) as of and for the year ended June 30, 2012 and have issued our report thereon dated September 18, 2012. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.



This report is intended for the information of the Board of Directors, management, the Indian River County District School Board, and the Auditor General of the State of Florida. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

September 18, 2012



Management Letter

The Board of Directors
Indian River Charter High School, Inc.:

We have audited the financial statements of Indian River Charter High School, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated September 18, 2012.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters dated September 18, 2012. Disclosures in that report should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: 1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and, 2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title for the charter school. The official title of the School is Indian River Charter High School, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.



- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, the Indian River County District School Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

MORGAN, JACOBY, THURN, BOYLE, & ASSOCIATES, P.A.

September 18, 2012

NORTH COUNTY CHARTER SCHOOL, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2012

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KMETZ NUTTALL ELWELL GRAHAM, PLLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
North County Charter School, Inc.
Vero Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North County Charter School, Inc. (School), a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Controller 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 the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North County Charter School, Inc. as of June 30, 2012, and the respective changes in financial position thereof and the respective 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 our report dated August 7, 2012, on our consideration of the North County Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

August 7, 2012

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**NORTH COUNTY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

As management of North County Charter School, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America and in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$1,602,340 (net position). Of this amount, \$349,109 (unrestricted net position) may be used to meet the ongoing obligations of the School. The School's total net position decreased by \$14,169 or 11% in comparison with the prior year net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$349,109, or 24% of total expenditures. The School's combined ending fund balances increased by \$41,081 or 13% in comparison with the prior year balances. \$349,109 is available for spending at the School's discretion (unassigned fund balance) and has been appropriated in the subsequent year's budget.
- Net investment in capital assets increased over the prior year by \$66,754 or 2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars thorough the Indian River County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 8 and 9 of this report.

**NORTH COUNTY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Fund 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 School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the School are considered governmental fund types.

Governmental fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for all funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 23 of this report.

Required supplementary information – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,602,340 at June 30, 2012.

A portion of the School's net position (78%) reflects its net investment in capital assets (e.g. land, buildings, equipment and furniture). The School has related debt outstanding as of June 30, 2012, of \$2,450,203 that was used to acquire these assets. The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**NORTH COUNTY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

NORTH COUNTY CHARTER SCHOOL, INC.'S NET POSITION

	2012	2011
Current assets	\$ 349,109	\$ 328,632
Capital assets, net	3,703,434	3,636,680
Total assets	4,052,543	3,965,312
Current liabilities	56,035	71,948
Long-term liabilities	2,394,168	2,276,855
Total liabilities	2,450,203	2,348,803
Net position:		
Net investment in capital assets	1,253,231	1,308,481
Unrestricted	349,109	308,028
Total net position	\$ 1,602,340	\$ 1,616,509

An additional portion of the School's net position (22%) represents an *unrestricted net position* that is available to meet the financial obligations of the School. At the end of the current fiscal year, the School is able to report positive balances in all categories of net position.

**NORTH COUNTY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

NORTH COUNTY CHARTER SCHOOL, INC.'S CHANGE IN NET POSITION

	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 47,458	\$ 15,430
Operating grants and contributions	72,667	141,070
Capital grants and contributions	88,430	421,628
General revenues:		
FTE non-specific revenues	1,261,142	965,573
Unrestricted investment earnings	44	426
Gifts, grants and bequests not restricted to specific programs	8,526	4,782
Total revenues	1,478,267	1,548,909
Expenses:		
Instruction	657,292	510,627
Pupil personnel services	-	723
Instructional staff training	149	444
Board	2,125	2,103
School administration	167,411	152,322
Facilities acquisition and construction	6,546	11,878
Fiscal services	11,505	12,280
Food services	97,804	71,230
Transportation	14,427	13,641
Operation of plant	95,433	73,153
Maintenance of plant	13,325	10,034
Interest on long-term debt	355,165	102,924
Depreciation - unallocated	71,254	57,530
Total expenses	1,492,436	1,018,889
Increase (decrease) in net position	(14,169)	530,020
Net position, beginning of year	1,616,509	1,086,489
Net position, end of year	\$ 1,602,340	\$ 1,616,509

Governmental activities – The School relies heavily on general revenues (i.e. FTE dollars) to fund the expenses of the governmental activities. Program revenues consisting of capital and operating grants comprise 11% of total revenues. General revenues comprise 89% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**NORTH COUNTY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Governmental funds – The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$349,109, an increase of \$41,081 over the previous fiscal year. The fund balance consists of *unassigned fund balance*, which is available for spending at the District's discretion.

GENERAL FUND BUDGETARY HIGHLIGHTS

- The original budget was amended, and approved by the School's Board of Directors, for fiscal year June 30, 2012, to decrease expenses due to a decrease in anticipated professional expenses and to increase funding due to an increase in anticipated enrollment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$3,703,434 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and furniture. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 16 and 20 of this report.

Long-term debt – The School has related debt outstanding as of June 30, 2012, of \$2,450,203 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1 and 3 on pages 16 and 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The School received the majority of its revenues from FTE dollars provided by Indian River County School District.
- Indian River County School District continues to retain 5% administrative costs on revenues.
- The Charter School's enrollment is at 100%.
- The Charter School has estimated revenues and appropriations in the fiscal year 2012-13 budget of \$1,604,618. Appropriations include an additional \$32,000, \$45,000, \$7,000, \$12,000, and \$227,000 for instructional salary/wage increases, administrative salary/wage increases, food service salary/wage increases, operation of plant salary/wage increases, and unused revenues.

All of these factors were considered in preparing the School's budget for 2012-13 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ken Miller, President/Treasurer, North County Charter School, Inc., 6640 Old Dixie Highway, Vero Beach, Florida 32967.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Net Position

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 349,109	\$ -	\$ 349,109
Capital assets, net	3,703,434	-	3,703,434
Total Assets	4,052,543	-	4,052,543
Liabilities			
Long-term liabilities:			
Due within one year	56,035	-	56,035
Due in more than one year	2,394,168	-	2,394,168
Total Liabilities	2,450,203	-	2,450,203
Net Position			
Net investment in capital assets	1,253,231	-	1,253,231
Unrestricted	349,109	-	349,109
Total Net Position	\$ 1,602,340	\$ -	\$ 1,602,340

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Activities

Year ended June 30, 2012

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 657,292	\$ 23,740	\$ 606	\$ -	\$ (632,946)	\$ -	\$ (632,946)
Instructional staff training	149	-	-	-	(149)	-	(149)
Board	2,125	-	-	-	(2,125)	-	(2,125)
School administration	167,411	-	-	-	(167,411)	-	(167,411)
Facilities acquisition and construction	6,546	5,075	-	88,430	86,959	-	86,959
Fiscal services	11,505	-	-	-	(11,505)	-	(11,505)
Food services	97,804	18,643	72,061	-	(7,100)	-	(7,100)
Transportation	14,427	-	-	-	(14,427)	-	(14,427)
Operation of plant	95,433	-	-	-	(95,433)	-	(95,433)
Maintenance of plant	13,325	-	-	-	(13,325)	-	(13,325)
Interest on long-term debt	355,165	-	-	-	(355,165)	-	(355,165)
Depreciation - unallocated *	71,254	-	-	-	(71,254)	-	(71,254)
Total Governmental Activities	\$ 1,492,436	\$ 47,458	\$ 72,667	\$ 88,430	(1,283,881)	-	(1,283,881)
General Revenues:							
Local revenue:							
Florida Education Finance Program					964,617	-	964,617
Class size funds					270,058	-	270,058
SAI					662	-	662
Instructional materials					15,410	-	15,410
School recognition funds					10,395	-	10,395
Gifts, grants and bequests					8,526	-	8,526
Interest earned					44	-	44
Total General Revenues					1,269,712	-	1,269,712
Change in Net Position					(14,169)	-	(14,169)
Net Position, beginning					1,616,509	-	1,616,509
Net Position, ending					\$ 1,602,340	\$ -	\$ 1,602,340

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.



North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 349,109	\$ -	\$ -	\$ 349,109
Total Assets	\$ 349,109	\$ -	\$ -	\$ 349,109
Liabilities and Fund Balances				
Liabilities	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund balances:				
Unassigned	349,109	-	-	349,109
Total Liabilities and Fund Balances	\$ 349,109	\$ -	\$ -	349,109

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,703,434
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(2,450,203)
Net position of governmental activities	<u>\$ 1,602,340</u>

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

Year ended June 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
State through local	\$ -	\$ 88,430	\$ -	\$ 88,430
Federal through State	-	-	606	606
Interest	-	44	-	44
Local	1,298,483	-	90,704	1,389,187
Total Revenues	1,298,483	88,474	91,310	1,478,267
Expenditures				
Current - Education:				
Instruction	639,226	-	606	639,832
Instructional staff training	149	-	-	149
Board	2,125	-	-	2,125
School administration	166,811	-	-	166,811
Facilities acquisition and construction	6,546	-	-	6,546
Fiscal services	11,505	-	-	11,505
Food services	-	-	94,913	94,913
Transportation	14,427	-	-	14,427
Operation of plant	95,433	-	-	95,433
Maintenance of plant	13,325	-	-	13,325
Debt service	233,161	-	-	233,161
Fixed Capital Outlay:				
Facilities acquisition and construction	31,999	126,960	-	158,959
Total Expenditures	1,214,707	126,960	95,519	1,437,186
Excess (Deficiency) of Revenues over Expenditures	83,776	(38,486)	(4,209)	41,081
Other Financing Sources (Uses)				
Operating transfers in (out)	(42,695)	38,486	4,209	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	41,081	-	-	41,081
Fund Balance, beginning of year	308,028	-	-	308,028
Fund Balance, end of year	\$ 349,109	\$ -	\$ -	\$ 349,109

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
 A Charter School and Component Unit of the
 Indian River County District School Board
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2012

Net change in fund balances - governmental funds	\$ 41,081
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in 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 by which capital outlays (\$158,959) exceeds depreciation expense (\$92,205) in the period.	66,754
Repayment of the mortgage payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	51,344
Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds	(173,348)
Change in net position of governmental activities	\$ (14,169)

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 1,214,362	\$ 1,259,022	\$ 1,298,483	\$ 39,461
Total Revenues	1,214,362	1,259,022	1,298,483	39,461
Expenditures				
Current - Education:				
Instruction	656,343	662,693	665,220	(2,527)
Parental involvement	1,500	1,500	-	1,500
Instructional staff training	800	800	149	651
Board	4,250	4,250	2,125	2,125
School administration	218,250	137,165	166,811	(29,646)
Facilities acquisition and construction	3,800	7,800	12,551	(4,751)
Fiscal services	13,250	13,250	11,505	1,745
Transportation	18,500	14,000	14,427	(427)
Operation of plant	102,000	97,850	95,433	2,417
Maintenance of plant	20,300	20,300	13,325	6,975
Debt service	187,105	187,105	233,161	(46,056)
Total Expenditures	1,226,098	1,146,713	1,214,707	(67,994)
Excess of Revenues over Expenditures	(11,736)	112,309	83,776	(28,533)
Other Financing Sources (Uses)				
Operating transfers in (out)	-	-	(42,695)	(42,695)
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(11,736)	112,309	41,081	\$ (71,228)
Fund Balance, beginning of year	422,550	578,855	308,028	
Fund Balance, end of year	\$ 410,814	\$ 691,164	\$ 349,109	

See accompanying notes to the basic financial statements.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The North County Charter School, Inc., is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board. The current charter is effective until June 30, 2013. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The North County Charter School, Inc. is considered a component unit of the Indian River County District School Board.

Criteria for determining if other entities are potential component units of the School which should be reported with the School'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 provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Indian River County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The School's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund - Used to account for the financial resources to be used in the acquisition, construction, or improvement of capital facilities.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. 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 unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are as amended by the Schools’ Board of Directors and adopted on a basis consistent with generally accepted accounting principles.

Cash

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and fixed equipment	50 years
Improvements other than buildings	10 years
Furniture, fixtures and equipment	5-10 years
Loan costs	5 years

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.



Note 1 – Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

The School entered into an interest rate swap agreement to modify the interest rate characteristics of its outstanding debt from floating to fixed. The School accounts for derivative instruments, including derivative instruments embedded in other contracts in accordance with FASB Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*. ASC 815 requires that derivative instruments be measured at fair value and reported as assets or liabilities in the statement of net position. Changes in the fair value of derivatives during the year are reported in the statement of activities. The School's interest rate swap agreement is considered a derivative financial instrument and has been reported as current liabilities in the statement of net position at fair value. The net cash received or paid under the terms of the interest rate swap agreement over its term is reported as a component of interest expense.

Revenue Sources

Revenues for current operations are received primarily from the Indian River County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

The School received Federal awards for the enhancement of various educational programs. This assistance is 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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Sick and personal leave do not accumulate from year-to-year, thus no liability is recorded.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosure

The School implemented the provisions of GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions (GASB No. 54)”, in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of the fund balances information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the School classifies fund balances in the governmental funds as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2012.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School did not have any restricted resources as of June 30, 2012.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2012.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School or by an official or body to which the School delegates the authority. The School did not have any assigned resources as of June 30, 2012.

Unassigned – This classification includes the residual fund balance for the General Fund.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosure (continued)

Beginning with fiscal year end June 30, 2012, the School implemented the provisions of GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB No. 63)”, in 2012, as required. The purpose of GASB 63 is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

Governmental-wide Financial Statements. In accordance with GASB No. 63, the School classifies net position in the governmental-wide financial statements as follows:

Net Investment in Capital Assets – This classification includes the School’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The School typically uses restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use until a future project. The School did not have any restricted net positions as of June 30, 2012.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets. The School has the authority to revisit or alter this designation.

Beginning net positions for the School’s governmental-wide funds have been restated to reflect the above classifications.

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2012, the School made an interfund transfer of \$4,209 from the general fund to the special revenue fund to subsidize the School’s food program. Also, during the year ended June 30, 2012, the School made an interfund transfer of \$38,486 from the general fund to the capital projects fund to temporarily subsidize the capital projects fund. As fund balance becomes available the capital project fund will transfer back amounts subsidized by the general fund.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended June 30, 2012.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through August 7, 2012, the date the financial statements were available to be issued.

Note 2 – Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 472,278	\$ 126,960	\$ -	\$ 599,238
Total capital assets not being depreciated	472,278	126,960	-	599,238
Other capital assets:				
Buildings and fixed equipment	3,208,946	4,300	-	3,213,246
Improvements other than buildings	49,592	1,705	-	51,297
Furniture, fixtures and equipment	101,411	25,994	(987)	126,418
Loan costs	21,983	-	-	21,983
Total other capital assets at historical cost	3,381,932	31,999	(987)	3,412,944
Less accumulated depreciation for:				
Buildings and fixed equipment	(165,143)	(64,258)	-	(229,401)
Improvements other than buildings	(10,087)	(5,035)	-	(15,122)
Furniture, fixtures and equipment	(40,835)	(18,515)	987	(58,363)
Loan costs	(1,465)	(4,397)	-	(5,862)
Total accumulated depreciation	(217,530)	(92,205) *	987	(308,748)
Other capital assets, net	3,164,402	(60,206)	-	3,104,196
Governmental activities capital assets, net	\$ 3,636,680	\$ 66,754	\$ -	\$ 3,703,434

*** Depreciation expense was charged to governmental functions as follows:**

Instruction	\$ 17,460
School administration	600
Food services	2,891
Unallocated	71,254
	\$ 92,205

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 3 – Long-Term Liabilities

The changes in the School’s long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2011	Additions	Reductions	Principal Outstanding June 30, 2012	Amount Due in One Year
Mortgage payable	\$ 2,328,199	\$ 173,348	\$ 51,344	\$ 2,450,203	\$ 56,035

On February 22, 2011, the School re-negotiated their loan with RBC Bank (subsequently acquired by PNC Bank) for \$2,350,000 to purchase new facilities and finance additional facilities. Beginning May 1, 2011, the agreement requires principal, plus accrued interest payments until the maturity date of February 24, 2016, at which time all unpaid principal and interest shall become immediately due and payable.

Interest Rate Swap

In order to minimize the impact of interest rate changes, on March 25, 2011, the School amended the note to incorporate an interest rate swap agreement. Under the terms of the swap, the School pays a fixed interest rate of 7.75% and receives a variable payment calculated at LIBOR, plus 5%, thereby creating the equivalent of fixed-rate debt. As of June 30, 2012, the swap has a negative fair value (penalty related amount) of \$173,348 because interest rates have declined since the swap was executed. If at the time of termination the swap has a negative fair value, the School would be liable to the bank for that amount.

Currently payments on the mortgage payable are made by the General Fund.

Amounts needed for the planned extended repayment of the mortgage at June 30, 2012, are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2013	\$ 56,035	\$ 117,965	\$ 174,000
2014	60,600	113,400	174,000
2015	65,537	108,463	174,000
2016	2,268,031	38,579	2,306,610
	\$ 2,450,203	\$ 378,407	\$ 2,828,610



Note 4 – Governmental Fund Balance

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Spendable:

Restricted – Amounts that can be spent only for specific purposes because of the School Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors.

Assigned – Amounts that are designated by the Principal for a specific purpose.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 10). As discussed in Note 1, restricted funds are used first as appropriate. Decreases to fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has an Unassigned Fund Balance of \$349,109 at June 30, 2012.

Note 5 – Net Position

At June 30, 2012, the net position of the School consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets:		
Net property, plant and equipment	\$ 3,703,434	\$ -
Less:		
Mortgage payable	(2,450,203)	-
Total net investment in capital assets	1,253,231	-
Unrestricted	349,109	-
Total net position	\$ 1,602,340	\$ -

Note 6 – Fair Value Measurements

ASC topic 820, “Fair Value Measurements and Disclosures”, defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. ASC Topic 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instruments’ categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. ASC Topic 820 establishes and prioritizes three levels of inputs that may be used to measure fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

Fair Value Measurements at Reporting Date Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps	\$ 2,450,203	\$ -	\$ 2,450,203	\$ -

The School recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2012.

Note 7 – 401(k) Plan

The School initiated a 401(k) plan on September 1, 2002, that covers all employees who have attained twenty years of age and satisfied a one-year service requirement. Employees may make elective contributions up to 25% of their compensation and the limit established by federal law. The School may make elective contributions equal to the employee’s contribution up to a limit of 3% of the employee’s compensation for the fiscal year. For the year ended June 30, 2012, the School contributed \$2,128 to the plan.

Note 8 – Risk Management Programs

Personnel of the School are provided through a leasing arrangement with a licensed employee leasing company. Workers' compensation coverage is provided by the employee leasing company. Employees of the School are covered by purchased health insurance. The School contributes monthly for each employee to the plan and employees, at their option, authorize payroll withholdings to pay for dependents. Employees may also voluntarily enroll in other various insurance plans through a pre-tax program. Employees authorize payroll withholdings and are responsible for all premiums.

General liability, professional liability, and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has been exceeded.





**Independent Auditors' Report on Internal Control over Financial Reporting and
Compliance and Other Matters based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
North County Charter School, Inc.
Vero Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North County Charter School, Inc. (School), a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 7, 2012. 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.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

To the Board of Directors
North County Charter School, Inc.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

August 7, 2012





Management Letter

To the Board of Directors
North County Charter School, Inc.
Vero Beach, Florida

We have audited the basic financial statements of North County Charter School, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated August 7, 2012.

We conducted our audit 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, if any, which are dated August 7, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter included the following information, which is not included in the aforementioned auditor's report.

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

To the Board of Directors
North County Charter School, Inc.

Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is North County Charter School, Inc.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that North County Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor North County Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the board of directors, management, the Florida Auditor General, Indian River County School District, and the Office of School Choice, and is not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

August 7, 2012

SEBASTIAN CHARTER JUNIOR HIGH, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2012

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Independent Auditors' Report

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Controller 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. as of June 30, 2012, and the respective changes in financial position thereof and the respective 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 our report dated September 20, 2012, on our consideration of Sebastian Charter Junior High, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

September 20, 2012

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

As management of Sebastian Charter Junior High, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$736,057 (net position). Of this amount, \$83,899 (unrestricted net position) may be used to meet the ongoing obligations of the School. The School's total net position increased by \$98,300 or 15% in comparison with prior year net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$194,192, or 6% of total expenditures. The School's combined ending fund balance increased by \$72,926 or 60% in comparison with the prior year balances. \$83,899 of the \$194,192 is available for spending at the School's discretion (unassigned fund balance). The remaining \$110,293 has been designated for capital projects.
- Investment in capital assets increased over the prior year by \$25,374 or 5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars through the Indian River County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 8 and 9 of this report.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Fund 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 School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the School are considered governmental fund types.

Governmental fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for all funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 10 - 12 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 24 of this report.

Required supplementary information – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$736,057, at June 30, 2012.

A portion of the School's net position (74%) reflects its investment in capital assets, net of related debt (e.g. land, buildings, equipment and furniture). The School has related debt outstanding as of June 30, 2012, of \$309,395 that was used to acquire these assets. The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S NET POSITION

	2012	2011
Current assets	\$ 520,237	\$ 593,618
Capital assets, net	851,260	830,686
Total assets	1,371,497	1,424,304
Current liabilities	369,297	508,633
Long-term liabilities:	266,143	277,914
Total liabilities	635,440	786,547
Net position:		
Invested in capital assets	541,865	516,491
Restricted for:		
Capital projects	110,293	19,927
Unrestricted	83,899	101,339
Total net position	\$ 736,057	\$ 637,757

An additional portion of the School's net position (11%) represents *unrestricted net position* that are available to meet the financial obligations of the School. A final portion of the School's net position (15%) is restricted for capital projects. At the end of the current fiscal year, the School is able to report positive balances in all three categories of net position.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S CHANGE IN NET POSITION

	2012	2011
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 73,534	\$ 157,129
Capital grants and contributions	210,263	190,902
General revenues:		
FTE non-specific revenues	1,041,889	965,454
Unrestricted investment earnings	1,307	1,593
Total revenues	1,326,993	1,315,078
Expenses:		
Instruction	683,132	623,632
Instructional staff training	7,853	6,410
Board	19,446	6,252
School administration	282,690	293,888
Facilities acquisition and construction	2,495	5,188
Fiscal services	14,563	15,032
Food services	73,534	74,002
Transportation	19,053	19,144
Operation of plant	63,668	61,595
Maintenance of plant	6,817	7,607
Interest on long-term debt	18,637	23,484
Depreciation - unallocated	36,805	28,719
Total expenses	1,228,693	1,164,953
Change in net position	98,300	150,125
Net position, beginning of year	637,757	487,632
Net position, end of year	\$ 736,057	\$ 637,757

Governmental activities – The School relies heavily on general revenues (i.e. FTE dollars) to fund the expenses of the governmental activities. Program revenues consisting of capital and operating grants comprise 21% of total revenues. General revenues comprise 79% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Governmental funds – The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$194,192, an increase of \$72,926 over the previous fiscal year. The fund balance consists of *unassigned fund balance*, which is available for spending at the School's discretion, with a portion (\$110,293) primarily designated for capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2012, amounted to \$851,260 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, furniture and computer software. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 16 and 20 of this report.

Long-term debt – The School has related debt outstanding as of June 30, 2012, of \$309,395 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1, 3 and 4 on pages 16, 21 and 22 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The School received the majority of its revenues from FTE dollars provided by the Indian River County School District.
- The Indian River County School District continues to retain 5% administrative costs on revenues.
- The Charter School's enrollment is expected to be 100% for the fiscal year ending 2012-2013.
- The School is in the process of planning and budgeting for the construction of a new, more permanent school building, to be constructed on the existing school site.

All of these factors were considered in preparing the School's budget for the 2012-2013 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dr. Martha McAdams, Principal, Sebastian Charter Junior High, Inc., 782 Wave Street, Sebastian, Florida 32958.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Net Position

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 192,389	\$ -	\$ 192,389
Due from local sources	325,698	-	325,698
Accrued interest receivable	2,150	-	2,150
Capital assets, net	851,260	-	851,260
Total Assets	1,371,497	-	1,371,497
Liabilities			
Payroll tax payable	347	-	347
Deferred revenue	325,698	-	325,698
Long-term liabilities:			
Due within one year:			
Note payable	35,881	-	35,881
Obligation under capital leases	7,371	-	7,371
Due in more than one year:			
Note payable	240,441	-	240,441
Obligation under capital leases	25,702	-	25,702
Total Liabilities	635,440	-	635,440
Net Position			
Net investment in capital assets	541,865	-	541,865
Restricted for:			
Capital projects	110,293	-	110,293
Unrestricted	83,899	-	83,899
Total Net Position	\$ 736,057	\$ -	\$ 736,057

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Activities

Year ended June 30, 2012

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 683,132	\$ -	\$ -	\$ 104,820	\$ (578,312)	\$ -	\$ (578,312)
Instructional staff training	7,853	-	-	-	(7,853)	-	(7,853)
Board	19,446	-	-	-	(19,446)	-	(19,446)
School administration	282,690	-	-	60,517	(222,173)	-	(222,173)
Facilities acquisition and construction	2,495	-	-	-	(2,495)	-	(2,495)
Fiscal services	14,563	-	-	-	(14,563)	-	(14,563)
Food services	73,534	-	73,534	-	-	-	-
Transportation	19,053	-	-	-	(19,053)	-	(19,053)
Operation of plant	63,668	-	-	14,641	(49,027)	-	(49,027)
Maintenance of plant	6,817	-	-	6,800	(17)	-	(17)
Interest on long-term debt	18,637	-	-	23,485	4,848	-	4,848
Depreciation - unallocated *	36,805	-	-	-	(36,805)	-	(36,805)
Total governmental activities	\$ 1,228,693	\$ -	\$ 73,534	\$ 210,263	(944,896)	-	(944,896)
General Revenues:							
Local revenue:							
Florida Education Finance Program					821,451	-	821,451
Instructional materials					13,533	-	13,533
Class size					158,251	-	158,251
School recognition					10,885	-	10,885
Student academic improvement					535	-	535
Other miscellaneous local sources					37,234	-	37,234
Interest earned					1,307	-	1,307
Total general revenues and special items					1,043,196	-	1,043,196
Change in net position					98,300	-	98,300
Net Position, beginning					637,757	-	637,757
Net Position, ending					\$ 736,057	\$ -	\$ 736,057

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.



Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 192,389	\$ -	\$ -	\$ 192,389
Due from local sources	-	325,698	-	325,698
Due from General Fund	-	108,143	-	108,143
Accrued interest receivable	-	2,150	-	2,150
Total Assets	\$ 192,389	\$ 435,991	\$ -	\$ 628,380
Liabilities and Fund Balances				
Liabilities:				
Payroll tax payable	\$ 347	\$ -	\$ -	\$ 347
Due to Capital Project Fund	108,143	-	-	108,143
Deferred revenue	-	325,698	-	325,698
Total Liabilities	108,490	325,698	-	434,188
Fund balances:				
Restricted	-	110,293	-	110,293
Unassigned	83,899	-	-	83,899
Total Fund Balances	83,899	110,293	-	194,192
Total Liabilities and Fund Balances	\$ 192,389	\$ 435,991	\$ -	\$ 628,380

Total fund balances \$ 194,192

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 851,260

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (309,395)

Net position of governmental activities \$ 736,057

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
 Indian River County District School Board
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - Governmental Funds

Year ended June 30, 2012

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal through local	\$ -	\$ 209,713	\$ 550	\$ 210,263
Interest	-	1,307	-	1,307
Local	1,041,889	-	73,534	1,115,423
Total Revenues	1,041,889	211,020	74,084	1,326,993
Expenditures				
Current - Education:				
Instruction	673,663	-	550	674,213
Instructional staff training	7,853	-	-	7,853
Board	19,446	-	-	19,446
School administration	260,881	-	-	260,881
Facilities acquisition and construction	2,495	-	-	2,495
Fiscal services	14,563	-	-	14,563
Food services	-	-	73,534	73,534
Transportation	19,053	-	-	19,053
Operation of plant	47,807	15,861	-	63,668
Maintenance of plant	6,816	-	-	6,816
Debt service	4,990	48,533	-	53,523
Fixed Capital Outlay:				
Facilities acquisition and construction	12,604	45,418	-	58,022
Total Expenditures	1,070,171	109,812	74,084	1,254,067
Excess (Deficiency) of Revenues over Expenditures	(28,282)	101,208	-	72,926
Other Financing Sources (Uses)				
Transfers in	10,842	-	-	10,842
Transfers out	-	(10,842)	-	(10,842)
Net Other Financing Sources (Uses)	10,842	(10,842)	-	-
Net Change in Fund Balances	(17,440)	90,366	-	72,926
Fund Balances, beginning of year	101,339	19,927	-	121,266
Fund Balances, end of year	\$ 83,899	\$ 110,293	\$ -	\$ 194,192

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2012

Net change in fund balances - governmental funds	\$ 72,926
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in 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 by which capital outlays (\$58,022) is less than depreciation expense (\$67,533) in the period.	(9,511)
Repayment of note payable and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	34,885
Change in net position of governmental activities	\$ 98,300

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 1,036,733	\$ 1,002,694	\$ 1,041,889	\$ 39,195
Total Revenues	1,036,733	1,002,694	1,041,889	39,195
Expenditures				
Current - Education:				
Instruction	649,315	699,943	673,663	26,280
Instructional staff training	5,600	900	7,853	(6,953)
Board	14,300	19,750	19,446	304
School administration	249,792	255,145	260,881	(5,736)
Facilities acquisition and construction	500	7,000	2,495	4,505
Fiscal services	11,750	14,951	14,563	388
Transportation	23,000	20,000	19,053	947
Operation of plant	71,550	63,650	47,807	15,843
Maintenance of plant	7,000	5,100	6,816	(1,716)
Debt service	-	-	4,990	(4,990)
Fixed Capital Outlay:				
Facilities acquisition and construction	1,500	11,000	12,604	(1,604)
Total Expenditures	1,034,307	1,097,439	1,070,171	27,268
Other Financing Sources				
Transfers in	-	-	10,842	10,842
Total Other Finances Sources	-	-	10,842	10,842
Net Change in Fund Balance	<u>\$ 2,426</u>	<u>\$ (94,745)</u>	(17,440)	<u>\$ 77,305</u>
Fund Balance, beginning of year			101,339	
Fund Balance, end of year			<u>\$ 83,899</u>	

See accompanying notes to the basic financial statements.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Sebastian Charter Junior High, Inc., (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board. The current charter is effective until June 30, 2012. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Sebastian Charter Junior High, Inc. is considered a component unit of the Indian River County District School Board.

Criteria for determining if other entities are potential component units of the School which should be reported with the School'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 provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School's net position is reported in three parts – invested in capital assets; restricted net position; and unrestricted net position. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Indian River County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The School's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund - Used to account for all acquisitions or construction of capital facilities.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Note 1 – Summary of Significant Accounting Policies (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. 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 unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are as amended by the School’s Board of Directors and adopted on a basis consistent with generally accepted accounting principles.

Cash

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and fixed equipment	50 years
Improvements other than buildings	40 years
Computers and software	5 years
Property under capital leases	4-5 years

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.



Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

Revenues for current operations are received primarily from the Indian River County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

The School received Federal awards for the enhancement of various educational programs. This assistance is 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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Up to two sick days and one personal day may be rolled over each year.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Restricted Assets

Restricted assets is interest earned on amounts set aside for capital projects, whose use is limited by legal requirements.

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosures

The School implemented the provisions of GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions (GASB No. 54),” in 2011, as required. The purpose of GASB No. 54 is to improve the consistency and usefulness of the fund balances information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

Governmental Fund Financial Statements

In accordance with GASB No. 54, the classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2012.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has \$110,293 of restricted resources as of June 30, 2012.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2012.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School or by an official or body to which the School delegates the authority. The School did not have any assigned resources as of June 30, 2012.

Unassigned – This classification includes the residual fund balance for the General Fund.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosures (continued)

Beginning with fiscal year June 30, 2012, the School implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB No. 63),” in 2012, as required. The purpose of GASB No. 63 is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

Governmental-wide Financial Statements

In accordance with GASB No. 63, the School classifies net position in the government-wide financial statements as follows:

Net Investment in Capital Assets – This classification includes the School’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The School typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The School has \$110,293 in restricted net position as of June 30, 2012.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets. The School has the authority to revisit or alter this designation.

Beginning net positions for the School’s government-wide funds have been restated to reflect the above classifications.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Related Parties

The Principal and the Assistant Director of the School are husband and wife.

Subsequent Events

Management has evaluated subsequent events through September 20, 2012, the date the financial statements were available to be issued.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 2 – Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 186,218	\$ -	\$ -	\$ 186,218
Total capital assets not being depreciated	186,218	-	-	186,218
Other capital assets:				
Improvements other than buildings	37,187	-	-	37,187
Buildings and fixed equipment	637,177	4,495	-	641,672
Furniture, fixtures and equipment	77,908	1,260	-	79,168
Property under capital leases	12,904	35,935	(12,904)	35,935
Computer software	15,490	-	(2,718)	12,772
Construction in progress	94,083	51,363	-	145,446
Total other capital assets at historical cost	874,749	93,053	(15,622)	952,180
Less accumulated depreciation for:				
Improvements other than buildings	(10,426)	(741)	-	(11,167)
Buildings and fixed equipment	(138,672)	(36,063)	-	(174,735)
Furniture, fixtures and equipment	(60,266)	(7,398)	-	(67,664)
Property under capital leases	(6,668)	(22,852)	10,676	(18,844)
Computer software	(14,249)	(480)	-	(14,729)
Total accumulated depreciation	(230,281)	(67,533) *	10,676	(287,138)
Other capital assets, net	644,468	25,520	(4,946)	665,042
Governmental activities capital assets, net	\$ 830,686	\$ 25,520	\$ (4,946)	\$ 851,260

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,919
School administration	21,809
Unallocated	36,805
	\$ 67,533

Note 3 – Obligation under Capital Leases

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

Fiscal year ending June 30, 2012	Amount
2013	\$ 7,371
2014	7,371
2015	7,371
2016	7,371
2017 and after	8,104
Total minimum lease payments	37,589
Less amount representing interest	(4,516)
	\$ 33,073

The imputed interest rate is 6.79 percent.

Note 4 – Long-Term Liabilities

In July 2003, the School refinanced the mortgage note payable on their land and building with a local financial institution. The School borrowed \$505,000 against the existing real property and the addition of a modular complex which was installed in August 2003. The agreement requires monthly payments of \$4,399 including interest at 6.5%, and matures in November 2019.

Amounts needed for the repayment of the mortgage at June 30, 2012, are as follows:

Fiscal year ending June 30, 2012	Principal	Interest	Total
2013	\$ 35,881	\$ 16,908	\$ 52,789
2014	38,285	14,504	52,789
2015	40,848	11,941	52,789
2016	43,585	9,204	52,789
2017 and after	117,723	9,458	127,181
	\$ 276,322	\$ 62,015	\$ 338,337

Sebastian Charter Junior High, Inc.
 A Charter School and Component Unit of the
 Indian River County District School Board
 Notes to Basic Financial Statements (continued)

Note 4 – Long-Term Liabilities (continued)

The changes in the School’s long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2011	Additions	Reductions	Principal Outstanding June 30, 2012	Amount Due in One Year
Note payable	\$ 307,241	\$ -	\$30,919	\$276,322	\$ 35,881
Obligation under capital leases	6,954	35,935	9,816	33,073	7,371
	\$ 314,195	\$35,935	\$40,735	\$309,395	\$ 43,252

Note 5 – Governmental Fund Balance

Beginning with fiscal year June 30, 2011, the School implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Spendable:

Restricted – Amounts that can be spent only for specific purposes because of the School Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors.

Assigned – Amounts that are designated by the Principal for a specific purpose.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 10). As discussed in Note 1, restricted funds are used first as appropriate. Decreases to fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

General Fund

The General Fund has Unassigned Fund Balance of \$83,899 at June 30, 2012.



Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 6 – Net Position

At June 30, 2012, the net position of the School consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets:		
Net property, plant and equipment	\$ 851,260	\$ -
Less:		
Mortgage and capital leases payable	(309,395)	-
Total net investment in capital assets	541,865	-
Restricted for capital projects	110,293	-
Unrestricted	83,899	-
Total net position	\$ 736,057	\$ -

Note 7 – Deferred Revenue

During prior fiscal years the School received Capital Outlay awards which are to be used toward capital purchases or improvements. At June 30, 2012, the School had Capital Outlay deferred revenue of \$325,698.

Note 8 – 401(k) Plan

The School initiated a 401(k) defined contribution plan on August 22, 2006, that covers all employees who have attained twenty one years of age and satisfied a one-year service requirement. The plan is administered by the Principal Financial Group. Employees may make elective contributions up to 25% of their compensation and the limit established by federal law. The School may make elective contributions equal to the employee’s contribution up to a limit of 3% of the employee’s compensation for the fiscal year. For the year ended June 30, 2012, the School did not make any contributions to the plan. For the year ended June 30, 2012, the employees contributed \$12,653 to the plan.

Note 9– Risk Management Programs

During the year ended June 30, 2012, employees of the School were covered by purchased health insurance. The School contributes monthly for each employee to the plan and employees, at their option, authorize payroll withholdings to pay contributions for dependents.

General liability, professional liability, property, and workers’ compensation coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.



Note 10– Architect Contract

In the prior year, the School entered into an agreement with Banov Architecture and Construction, Inc. to be the design architect for a new school building. The fees for these services will be approximately \$120,000 or 3% of the total construction costs. The School paid approximately \$120,000 in fees through the year ended June 30, 2012.

Note 11– Subsequent Event – Construction Mortgage

After the year ended June 30, 2012, the School closed on a construction loan/mortgage in the amount of \$2,800,000, for the construction of a new school building in order to double the number of students they can enroll. The initial rate of interest will be 3.75% fixed for the first five years. The interest rate will adjust every five years and the new rate will be based on a formula equal to the Non-Bank Qualified Tax Exempt Equivalent rate of 350 basis points over the 5 year Treasury Constant Maturity.

The term of the mortgage will be 198 months (16.5 years). Interest shall be payable monthly in arrears for the first 18 months (during construction). After the construction period, the loan will automatically convert to a fully-amortizing commercial mortgage with repayment consisting of 180 monthly principal and interest payments. The mortgage will be secured by land, building and improvements. The loan will be 90% guaranteed by the USDA under the Rural Development Business & Cooperative Program.



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other
Matters based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 20, 2012. 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.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

Procedures and Practices

Established accounting procedures and practices provide guidance for employees in carrying out their duties and responsibilities and in conducting the day-to-day operations of the School. The School has procedures and practices manuals in place. We recognize that the School has limited staff and that the areas to be covered by established practices are much more limited than in a larger organization. Accordingly, we have discussed with school personnel specific areas in which developing and documenting accounting procedures and practices may enhance the effectiveness and efficiency of the School's internal control over operations. Such accounting procedures and practices may be beneficial to address such matters as accounting and record keeping, budget preparation and amendment, accountability and control of fixed assets, and the acquisition of goods and services.

To the Board of Directors
Sebastian Charter Junior High, Inc.

The effective implementation of these enhanced procedures and practices could specifically provide for additional financial and record keeping controls, including the following:

- Employee duties were not always adequately separated between the authorization, custody and record keeping processes for assets such as cash in bank accounts and purchased goods and services. We recognize that the size of the School limits the extent of separation of employee duties and we recommend the Board continue its high degree of involvement in the financial process.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and it not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

September 20, 2012



Independent Auditors' Management Letter

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

We have audited the basic financial statements of Sebastian Charter Junior High, Inc., (the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 20, 2012.

We conducted our audit 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. We have issued our Independent Auditor's report on Internal Control over Financial Reporting and on compliance and Other Matters. Disclosures in that report, if any, which are dated September 20, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report.

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have not been taken.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

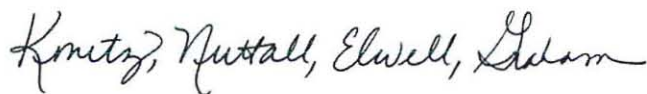
To the Board of Directors
Sebastian Charter Junior High, Inc.

Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Sebastian Charter Junior High, Inc.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Sebastian Charter Junior High, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Sebastian Charter Junior High, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the board of directors, management, the Florida Auditor General, and the Indian River County School District, and is not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants

September 20, 2012



Sebastian Charter Junior High
782 Wave Street, Sebastian, FL 32958
772-388-8838 / Fax 772-388-8815
www.scjh.org

September 19, 2012

To Whom It May Concern:

This letter is in response to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Sebastian Charter Junior High staff continues to follow the outlined procedures and policies for fiscal management as developed by the Board of Directors . The Board of Directors is given information regarding the finances and reports will continue to be shared with members so that they can have a high degree of involvement in the financial process.

Sincerely,

Martha L. McAdams, Ph. D.
Principal/Executive Director

SOARING PROUDLY INTO THE FUTURE

An equal opportunity educator and employer

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Financial Statements
with Independent Auditors' Reports Thereon**

June 30, 2012



M^CCRADY | HESS | RUTH
CERTIFIED PUBLIC ACCOUNTANTS

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**ST. PETER'S ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of St. Peter's Academy, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2012. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basis financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- ❖ The School's total net assets decreased compared to prior year.
- ❖ For the fiscal year ended June 30, 2012, the School's expenses exceeded revenues by approximately \$52,000.
- ❖ At June 30, 2012, the School's governmental funds balance sheet reported combined ending unassigned fund balance of \$192,843.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School. This document also includes the Independent Auditors' Report on Compliance and Internal Controls Required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net assets and the current year changes. Net assets are the difference between the School's total assets and total liabilities. Measuring net assets is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for that are not directly related to the School's mission. For the year ended June 30, 2012, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. A budgetary comparison schedule has been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

This report also includes the Independent Auditors' Report on Internal Controls Over Financial Reporting and On Compliance and Other Matters Required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Assets

The School's combined net assets as of June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Assets:			
Current assets	\$ 203,289	\$ 244,485	\$ (41,196)
Capital assets, net	1,483,068	1,532,740	(49,672)
Total assets	<u>1,686,357</u>	<u>1,777,225</u>	<u>(90,868)</u>
Liabilities:			
Current liabilities	10,446	63,687	(53,241)
Long-term liabilities	446,659	468,595	(21,936)
Total liabilities	<u>457,105</u>	<u>532,282</u>	<u>(75,177)</u>
Net Assets:			
Investment in capital assets, net of related debt	1,036,409	1,064,145	(27,736)
Unrestricted	192,843	180,798	12,045
Total net assets	<u>\$ 1,231,927</u>	<u>\$ 1,244,943</u>	<u>\$ (15,691)</u>

Current assets decreased due to a decrease in cash from the current year operating loss. The net decrease in capital assets is a result of current year depreciation expense exceeded capital purchases. Long-term liabilities decreased due to current year principal payments. The decrease in total net assets is due to the current year operating loss.

Change in Net Assets

The School's total expenses exceeded total revenues by approximately \$52,000 in fiscal 2012—see table below.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Federal sources	\$ 152,993	\$ 240,485	\$ (87,492)
State and local sources	934,723	1,073,129	(138,406)
Other revenues	135,074	162,344	(27,270)
Total revenues	<u>1,222,790</u>	<u>1,475,958</u>	<u>(253,168)</u>
Expenses:			
Instructional	636,376	636,104	272
General administration	24,225	-	24,225
School administration	250,681	249,802	879
Food service	95,758	175,949	(80,191)
Transportation	64,126	42,412	(21,714)
Operation of plant	181,487	130,905	50,582
Interest	21,909	42,625	(20,716)
Total expenses	<u>1,274,562</u>	<u>1,277,800</u>	<u>(3,238)</u>
Change in net assets	<u>\$ (51,772)</u>	<u>\$ 198,158</u>	<u>\$ (249,930)</u>

Federal revenues decreased primarily due to the Education Jobs Funds Grant ("EJF") which was award for fiscal year 2011.

The School experienced very little changes in instruction supplies and materials. Interest decreased due to refinancing the long-term liabilities.

Certain reclassifications were made to the prior year balances to conform to the 2012 presentation.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$192,843, which is a decrease from prior year.

General Fund Budgetary Highlights

During the fiscal year, the School amended its budget twice. Generally, budget amendments fall into one of the three categories: 1) amendments made to adjust the estimates used to prepare the original budget once exact information is available, 2) amendments made to recognize changes in funding amounts, and 3) changes in appropriations that become necessary to maintain services.

In the general fund, budgeted revenues were approximately \$14,000 less than budgeted amounts. Actual expenditures were approximately \$21,000 more than budgeted amounts, exclusive of other financing sources (uses).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012, the School had invested approximately \$1.5 million in capital assets, net of depreciation.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Capital assets			
Net of accumulated depreciation	\$ 1,483,068	\$ 1,532,740	\$ (49,672)
Total capital assets	<u>\$ 1,483,068</u>	<u>\$ 1,532,740</u>	<u>\$ (49,672)</u>

This year's major capital asset additions included the following:

- Fence - \$3,051

More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Long-Term Liabilities

Long-term liabilities decreased by approximately \$22,000 due to the current year principal payments. Interest paid during fiscal year 2012 was approximately \$22,000. More detailed information about the School's long-term liabilities is presented in Note 3 to the financial statements.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 4250 38th Avenue Vero Beach, FL 32967.



**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of St. Peter's Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Indian River County, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of St. Peter's Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Indian River County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of St. Peter's Academy, Inc. as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2012 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MC CRADY, HESS + RUTH

Maitland, Florida
September 18, 2012

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

Office 407-478-4020 ■ Fax 407-476-4021 ■ cpa@mhrpcpas.com ■ www.mhrpcpas.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

ST. PETERS ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 203,289
Capital assets:	
Buildings and improvements	1,577,276
Improvements other than building	22,607
Furniture, fixtures and equipment	148,861
Computer Software	7,052
Vehicles	6,082
Less accumulated depreciation	<u>(278,810)</u>
Total capital assets, net	<u>1,483,068</u>
 Total assets	 <u><u>\$ 1,686,357</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 10,446
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	23,559
Portion due or payable after one year:	
Notes payable	<u>423,100</u>
Total liabilities	<u>457,105</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,036,409
Unrestricted	<u>192,843</u>
Total net assets	<u>1,229,252</u>
 Total liabilities and net assets	 <u><u>\$ 1,686,357</u></u>

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

ST. PETER'S ACADEMY, INC.

A Charter School and Component Unit of the
District School Board of Indian River, Florida

Statement of Activities

For the Year Ended June 30, 2012

	Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 625,647	\$ -	\$ 55,092	\$ -	\$ (570,555)	\$ (570,555)
Instructional media	8,783	-	-	-	(8,783)	(8,783)
Instructional staff training	298	-	-	-	(298)	(298)
Pupil personnel	1,648	-	-	-	(1,648)	(1,648)
General administration	24,225	-	-	-	(24,225)	(24,225)
School administration	296,952	-	-	-	(296,952)	(296,952)
Food service	95,758	-	97,901	-	2,143	2,143
Transportation	64,126	-	-	-	(64,126)	(64,126)
Operation of plant	181,487	-	-	3,060	(178,427)	(178,427)
Interest	21,909	-	-	21,909	-	-
Total primary government	\$ 1,320,833	\$ -	\$ 152,993	\$ 24,969	(1,142,871)	(1,142,871)
General revenues:						
State and local sources					956,025	956,025
Contributions and other revenue					135,074	135,074
Total general revenue					1,091,099	1,091,099
Changes in net assets					(51,772)	(51,772)
Net assets at beginning of year, as previously stated					1,244,943	1,244,943
Adjustments to beginning net assets					36,081	36,081
Net assets at beginning of year, as restated					1,281,024	1,281,024
Net assets at end of year					\$ 1,229,252	\$ 1,229,252

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

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

Balance Sheet - Governmental Fund

June 30, 2012

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 203,289
Total assets	<u>\$ 203,289</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 10,446
Total liabilities	<u>10,446</u>
FUND BALANCES	
Spendable: Unassigned	<u>192,843</u>
Total fund balance	<u>192,843</u>
Total liabilities and fund balance	<u>\$ 203,289</u>

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

ST. PETER'S ACADEMY, INC.

A Charter School and Component Unit of the
District School Board of Indian River County, Florida

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets

June 30, 2012

Total fund balances - governmental funds \$ 192,843

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$1,761,878, and the accumulated depreciation is \$278,810. 1,483,068

Long-term liabilities, including notes payable, 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:

Notes payable (446,659)

Total net assets - governmental activities \$ 1,229,252

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

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ -	\$ 152,993	\$ 152,993
State and local sources	934,089	46,905	-	980,994
Contributions and other revenue	135,074	-	-	135,074
Total revenues	1,069,163	46,905	152,993	1,269,061
EXPENDITURES				
Current:				
Instruction	560,354	-	55,092	615,446
Instructional media	8,783	-	-	8,783
Instructional staff training	298	-	-	298
Pupil personnel	1,648	-	-	1,648
General administration	24,225	-	-	24,225
School administration	296,189	-	-	296,189
Food service	-	-	95,163	95,163
Transportation	64,126	-	-	64,126
Operation of plant	137,263	3,060	-	140,323
Debt service:				
Principal	-	21,936	-	21,936
Interest	-	21,909	-	21,909
Capital outlay	3,051	-	-	3,051
Total expenditures	1,095,937	46,905	150,255	1,293,097
Excess (deficiencies) of revenues over expenses	(26,774)	-	2,738	(24,036)
OTHER FINANCING SOURCES (USES)				
Operating transfer in	2,738	-	-	2,738
Operating transfer out	-	-	(2,738)	(2,738)
Total other financing sources	2,738	-	(2,738)	-
Net changes in fund balances	(24,036)	-	-	(24,036)
Fund balances at beginning of year, as previously stated	180,798	-	-	180,798
Adjustments to beginning net assets	36,081	-	-	36,081
Fund balances at beginning of year, as restated	216,879	-	-	216,879
Fund balances at end of year	\$ 192,843	\$ -	\$ -	\$ 192,843

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

ST. PETERS ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2012

Net changes in fund balance - total governmental funds \$ (24,036)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$52,723) exceeded capital additions (\$3,051) in the current period. (49,672)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. 21,936

Change in net assets of governmental activities \$ (51,772)

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

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

Notes to Financial Statements

For the Year Ended June 30, 2012

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

St. Peter's Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. The School began its operations as a division of St. Peter's Human Services, Incorporated. Effective July 1, 2006, the School was separated from St. Peter's Human Services, Inc. into a separate not-for-profit organization, St. Peter's Academy, Inc. and applied for charter school status. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Indian River County Florida, (the "School Board"). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB").

Charter Contract

The current charter expires on June 30, 2027 and may be renewed by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to a private-sector business. The statement of net assets and statement of activities are designed to provide financial information about the School as a whole on an accrual basis of accounting. The statement of net assets provides information about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are major individual governmental funds reported in the fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For the purpose of these statements, the general fund is considered a major fund. The capital projects fund and other governmental funds are considered non-major funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures 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 reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are recorded 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

Under current regulations, non-interest bearing cash deposits at FDIC-insured institutions are fully insured through December 31, 2012. All cash and cash equivalent accounts held by the School are non-interest bearing and therefore, fully insured by the FDIC as of June 30, 2012.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of \$1,000 or more. Expenditures of normal maintenance and repair that do not add to the asset value or extend the useful life are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings and improvements	5 – 40
Furniture, fixtures and equipment	3 – 15

Information related to the change in capital assets is described in Note 2.

ST. PETER'S ACADEMY, INC.

A Charter School and Component Unit of the
District School Board of Indian River County, Florida

Notes to Financial Statements
(continued)

Long-Term Liabilities

Long-term liabilities financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Changes in long-term liabilities for the current year are reported in Note 3.

Net Assets and Fund Balance Classifications

Government-wide financial statements

Net assets are classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for operations are received primarily from the District School Board of Indian River County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective FEFP payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

2 CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Buildings & improvements	\$ 1,596,832	\$ 3,051	\$ -	\$ 1,599,883
Furniture, fixtures & equipment	161,995	-	-	161,995
Total capital assets	<u>1,758,827</u>	<u>3,051</u>	<u>-</u>	<u>1,761,878</u>
Accumulated depreciation:				
Building & improvements	(98,528)	(45,897)	-	(144,425)
Furniture, fixture & equipment	(127,559)	(6,826)	-	(134,385)
Total accumulated depreciation	<u>(226,087)</u>	<u>(52,723)</u>		<u>(278,810)</u>
Capital assets, net	<u>\$ 1,532,740</u>	<u>\$ (49,672)</u>	<u>\$ -</u>	<u>\$ 1,483,068</u>
Depreciation expense:				
Instruction			\$ 10,201	
Food service			595	
School administration			763	
Operation of plant			41,164	
Total governmental activities depreciation expense			<u>\$ 52,723</u>	

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

3 LONG-TERM DEBT

On May 17, 2011, the School refinanced the 2006 note on the building for \$470,361 with Seacoast National Bank. The note is secured by a mortgage on the real property. The agreement requires monthly payments in the amount of \$3,654 until May 17, 2016, at which point the rate will be adjusting to a new fixed tax exempt rate equal to the non tax exempt equivalent rate of 350 BP over the 5 year Treasury Constant Maturity, which was 5.26% at June 30, 2012. Interest and principal payments on the note are being made from the Capital Project fund.

Long-term debt consists of the following as of June 30, 2012:

Note payable to a financial institution, principal and interest payments of \$3,654 are due monthly, interest rate is 5% annually, the maturity date is June 2021. Note is secured by the School's facility:	\$ 446,659
Less: portion due or payable within one year	<u>(23,559)</u>
Portion due or payable after one year	<u>\$ 423,100</u>
Balance outstanding at the beginning of year	\$ 468,595
Additions	-
Reductions	<u>(21,936)</u>
Balance outstanding at the end of year	<u>\$ 446,659</u>

Interest paid during the year ended June 30, 2012 totaled \$21,909.

Future debt service requirements related to the long-term liabilities are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Year ended June 30,			
2013	\$ 20,287	\$ 23,559	\$ 43,846
2014	19,165	24,681	43,846
2015	17,990	25,856	43,846
2016	16,933	29,849	46,782
2017	16,500	62,575	79,076
2018 - 2021	31,669	280,139	311,808
	<u>\$ 122,544</u>	<u>446,659</u>	<u>\$ 569,204</u>

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Indian River County, Florida:

Florida Education Finance Program	\$ 525,319
Class size reduction	189,887
Capital outlay	85,345
Discretionary local effort	78,762
ESE guaranteed allocation	31,964
Transportation	30,763
Discretionary millage funds	28,570
Supplemental academic instruction	26,873
Instructional materials	10,619
School recognition funds	10,360
Safe schools	3,482
Lead teacher	1,696
State proration	<u>(2,510)</u>
Total	<u>\$ 1,021,160</u>

The administrative fee paid to the School Board during the year ended June 30, 2012 totaled approximately \$46,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

5 RELATED PARTY TRANSACTIONS

Facility lease

The school leases a portion of its facilities under an annually renewable lease agreement with St. Peter's Missionary Baptist Church (the "Church") for \$2,500 per month. Several of the members of the School's Board of Directors are associated with the Church. Total rent expenses incurred during the year ended June 30, 2012 totaled \$40,000. At June 30, 2012, there were no amounts outstanding.

Effective April 2008, the School entered into an additional new lease with the Church to lease the real property, in addition to the multipurpose education building that was constructed during 2012. The lease commenced on July 1, 2006, and shall expire forty (40) years from the effective date of the lease. Further, the School shall have on ten (10) year option to extend the lease. The lease provides an initial payment of \$364,875 with monthly payments of \$1 thereafter. As of June 30, 2012, none of the monthly payments have been made.

St. Peter's Academy Inc. and St. Peter's Human Services, Inc. are both related to the Church but have separate business principals. St. Peter's Academy Inc. is the School itself and St. Peter's Human Services, Inc. is related to the Day Care services and Assisted Living Facility that is also run by the Church. At June 30, 2012, there was no balance due from St. Peter's Human Services, Inc.

6 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

7 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

In the opinion of the School, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

8 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

9 403(b) PLAN

The School participates in a salary deferral plan under the Internal Revenue Code 403(b). Employees may make elective contributions of up to 20% of their compensation and the limit established by federal law. For the year ended June 30, 2012, the School did not make a contribution into the plan. In accordance with current professional pronouncements, the School has not included such funds in its financial statements.

ST. PETER'S ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

**Notes to Financial Statements
(continued)**

10 PRIOR PERIOD ADJUSTMENT

The financial statements of the School as of June 30, 2011 and for the year ended, were audited by other auditors prior to the adjustments reflected below. During the year ended June 30, 2012, management discovered errors in the June 30, 2011 financial statements. These items have been reflected as the correction of a prior period error by restating the beginning of the year net assets amounts in the accompanying 2011 financial statements. The following is a description of the adjustments and effect on beginning of the year net assets.

Deferred revenue was erroneously recorded as a result of refinancing a loan in the amount of \$19,371. The effect of this error was to understate unrestricted net assets by \$19,371.

The financial statements reflected amounts due from other agencies which were not collected or owed by other agencies. The effect of the error was to overstate unrestricted net assets by \$22,957.

Accrued payroll liabilities were overstated by \$39,667 due to additional amounts reflected in the financials statements that previously remitted at June 30, 2011 and not owed or paid in fiscal year 2012.

As a result of these adjustments, change in net assets at June 30, 2011 were understated by \$36,081.

11 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 18, 2012, which is the date the financial statements were available to be issued.

ST. PETERS ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Indian River County, Florida**

Required Supplementary Information

Budget Comparison Schedule - General Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 916,725	\$ 900,000	\$ 934,089	\$ 34,089
Contributions and other revenue	104,491	137,000	135,074	(1,926)
Total revenues	1,021,216	1,037,000	1,069,163	32,163
EXPENDITURES				
Current:				
Instruction	521,144	559,500	560,354	854
Instructional media	5,000	6,200	8,783	2,583
Instructional staff training	-	300	298	(2)
Board	-	-	1,648	1,648
General administration	-	-	24,225	24,225
School administration	204,798	268,335	296,189	27,854
Facilities acquisition and construction	2,000	2,000	-	(2,000)
Fiscal services	25,000	25,000	-	(25,000)
Food service	17,000	7,000	-	(7,000)
Transportation	27,996	59,000	64,126	5,126
Operation of plant	57,550	100,900	137,263	36,363
Capital outlay	-	-	3,051	3,051
Total expenditures	860,488	1,028,235	1,095,937	67,702
Excess (deficiency) of revenue over expenditures	160,728	8,765	(26,774)	(35,539)
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	-	-	-
Total other financing sources	-	-	-	-
Net changes in fund balances	160,728	8,765	(26,774)	(35,539)
Fund balances at beginning of year, as previously stated	-	-	180,798	180,798
Adjustments to beginning net assets	-	-	36,081	36,081
Fund balances at beginning of year, as restated	216,879	216,879	216,879	216,879
Fund balances at end of year	\$ 377,607	\$ 225,644	\$ 190,105	\$ 181,340

See report of independent auditors.



**Report of Independent Auditors on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Board of Directors of St. Peter's Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Indian River County, Florida

We have audited the financial statements of the governmental activities, the major fund of St. Peter's Academy, Inc., (the "School"), a charter school and component unit of the District School Board of Indian River County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 18, 2012. 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.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified as 2012-01 to be a significant deficiency on page 34 in the accompanying management letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

This report is intended solely for the information and use of management of the School, the board of directors, regulatory agencies of federal and state governments, the District School Board of Indian River County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

MC CRADY, HESS + RUTH

Maitland, Florida
September 18, 2012

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

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**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of St. Peter's Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Indian River County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of St. Peter's Academy, Inc., (the "School") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 18, 2012.

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. We have issued our Independent Auditors' 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*. Disclosure in those reports and schedules, which are dated September 18, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See the attached list for corrective actions, if any that have been taken to address any significant findings and recommendations made in the preceding annual financial report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit we noted a finding regarding processes and procedures over financial reporting. Please see finding 2012-01 on page 34.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contract or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings. See the attached list for corrective actions taken to address any significant findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the School is St. Peter's Academy, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors, the Sponsor and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

MC CRADY, HESS + RUTH

Maitland, Florida
September 18, 2012

2600 Lake Lucien Drive, Suite 405 ■ Maitland, FL 32751

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Preceding Findings, Recommendations and Other Matters-Corrected

10-1 Maintain records on the modified accrual basis of accounting (Significant Deficiency)

The above identified deficiency has been resolved as of June 30, 2012. The school provided accounts payable as of June 30, 2012. Our audit procedures did not identify any additional payables. There were no receivables reported at June 30, 2012. After our review of the records maintained, both payables and receivables were recorded correctly. No adjusting journal entries were proposed by our procedures regarding current year receivables and payables.

10-2 Improve bank reconciliation procedures (Material Weakness)

The school hired an outside bookkeeper to provide timely monthly bank reconciliations and resolve outstanding bank reconciling items. During our audit procedures, we noted all bank reconciliations were completed and there were no significant unusual reconciling items. Therefore, this issue has been resolved as of June 30, 2012.

10-3 General ledger review (Significant Deficiency)

We reviewed the general ledger for discrepancies that may occur from error. We noted recurring normal transactions with the exception of numerous adjusting journal entries proposed from prior year audit adjustments. Before the audit began, the school notified us that they did not agree with these adjustments and had noted their reasons. Additionally, it was noted in the board of director's minutes that the financial information was reviewed by the board and the discrepancies were noted. The adjusting journal entries were proposed by the client and we concurred after review of prior year workpapers. Therefore, we consider this issue resolved as of June 30, 2012.

10-4 Budget Amendments

The above issue has been resolved as of June 30, 2012. We noted the budgets were amended twice during the year for the general fund and capital projects fund. The board reviewed and approved the budgets.

10-6 Payroll withholdings

During our procedures, we noted that payroll was paid twice a month and a remittance to the Internal Revenue Service was timely made after each payroll with the exception of June when four payrolls were paid consistent with school's policies and procedures. Additionally, we inquired with the bookkeeper and management if there had been any payroll penalties paid or outstanding Internal Revenue Service notices which we included in the management representation letter. Based on our review, there were no payroll liabilities outstanding and this issue has been resolved as of June 30, 2012.

11-1 Held Check

The above identified deficiency was resolved as of June 30, 2012. When asked about this finding, the school represented that the check was to the director for her retirement contribution and was remitted to the retirement plan during this fiscal year. No additional checks were held during this fiscal year and all employee and employer matches were remitted timely for current employees.

11-2 Grant award recording

The above primarily related to ARRA funds received in the 2011 fiscal year. These funds were not received during this fiscal year. Additionally, the prior auditor assisted the school in setting up proper Redbook account codes. It was noted in the board of director's minutes that most transactions were recoded. During our review of the general ledger, we noted that grants were used for allowable expenditures and the Redbook codes were applicable. Therefore, this issue is resolved as of June 30, 2012.

11-3 Board Meetings

The above is resolved as of June 30, 2012. Once the school was informed that board meetings were required to be publicly posted, they implemented procedures to properly post the meeting notices in a public place. We noted during our fieldwork that a parent attended a board meeting with a concern and was informed about the time and location of that meeting.

Current Year Finding, Recommendations and Other Matters

12-01 Procedures over Year End Closing Processes and Financial Reporting: While performing our audit procedures, we proposed several adjusting journal entries relating to the year end closing procedures and prior period adjustments to beginning year fund balance. The entries primarily consisted of correcting account balances to properly reflect year end cut off not recurring normal operations.



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VERO BEACH, FL 32967
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September 19, 2012

McCrary, Hess and Ruth
Certified Public Accountants
2600 Lake Lucien Drive
Suite 405
Maitland, FL 32751

Dear Ms. McCrary:

This letter is in response to your audit of the financial statements of the St. Peter's Academy, Inc., (the School) for the year ended June 30, 2012. Below please note Management's Response to your finding to improve Financial Reporting, as listed on page 34.

Finding 2012-01-Procedures over Year End Closing Processes and Financial Reporting. During the 2011-2012 school year, numerous adjusting journal entries were proposed and posted by our prior auditors in response to their audit. Management did not agree with all of the entries but recurring accounting transactions were recorded properly. The beginning balances were not accurate according to our records which precluded financial reporting to be accurate. In fact, after our current audit was complete, it was concluded that some of the audit entries were recorded inaccurately.

However, we have reconciled beginning balances and the auditors have proposed prior period adjustments. Therefore, we will be starting with accurate balances and ensure our bank reconciliations and review of the financial statements will occur on a monthly basis by management and the board of directors. We also intend to hire additional accounting assistance in order to ensure the closing process for June 30, 2013 is accurate.

We have responded to your Finding to the best of our ability and will continue to work towards consistent accurate financial reporting.

Sincerely,


Ruth Jefferson
Administrator

FAILURE IS NOT AN OPTION

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