



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



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

For the Fiscal Year Ended June 30, 2005

Pinellas County District School Board members and the Superintendents of Schools who served during the 2004-05 fiscal year are shown in the following tabulation:

	<i>District No. as of <sup>(1)</sup> <u>7-1-04</u></i>	<i>District No. as of <sup>(1)</sup> <u>11-16-04</u></i>
<i>Lee R. Benjamin to 11-15-04</i>	<i>1</i>	
<i>Janet R. Clark, from 11-16-04</i>		<i>Seat 1 - At-Large</i>
<i>Linda S. Lerner</i>	<i>2</i>	<i>2</i>
<i>Carol J. Cook, Vice Chair</i>	<i>3</i>	<i>5<sup>(2)</sup></i>
<i>Mary Tyus Brown</i>	<i>4</i>	<i>4<sup>(3)</sup></i>
<i>Nancy Bostock, Chair from 11-16-04</i>	<i>5</i>	<i>5<sup>(3)</sup></i>
<i>E. Jane Gallucci, Chair to 11-15-04</i>	<i>At-Large</i>	<i>4<sup>(2)</sup></i>
<i>Mary L. Russell</i>	<i>At-Large</i>	<i>At-Large</i>

*Dr. J. Howard Hinesley, Superintendent to 10-31-04*  
*Dr. Clayton M. Wilcox, Superintendent from 11-01-2004*

*Note (1): On September 9, 2003, a redistricting plan was approved which revised the number of residence areas and at-large districts. Beginning with the November 2004 election, District No. 1 changed from a residence area district to an at-large seat. In November 2006, District Nos. 2 and 3 will change from residence areas to at-large districts. After the 2006 elections, seats 1, 2, and 3 will be at-large and seats for the redrawn single-member district areas will be seats 4, 5, 6, and 7.*

*Note (2): Pursuant to the redistricting plan, the geographic area for previous District No. 3 was redrawn to be included in the new District Nos. 4 and 5. In November 2004, Carol J. Cook was elected in new single-member District No. 5 and E. Jane Gallucci was elected in new single-member District No. 4.*

*Note (3): Seat Nos. 4 and 5 remained under the previous districting plan and will be revised into new single-member District Nos. 6 and 7.*

**AUDITOR GENERAL**

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

PINELLAS COUNTY DISTRICT SCHOOL BOARD

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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

The Pinellas County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2005, in accordance with prescribed financial reporting standards.

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

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

**Summary of Report on Federal Awards**

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

**Federal Awards Finding No. 1: Cash Management**

Our review disclosed that the District had not remitted interest earnings totaling \$9,507 on advances of Federal cash for the fiscal year June 30, 2005, to the Florida Department of Education.

**Federal Awards Finding No. 2: Special Tests and Provisions – Competitive Food Sales**

The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items. Contrary to State rules, carbonated beverages were sold to students in the cafeteria or in the immediate proximity of the cafeteria at three high schools. Additionally, competitive foods were sold to students outside the authorized times at two of these schools.

**Federal Awards Finding No. 3: Special Tests and Provisions – Fiscal Administration**

The District had not performed a reconciliation between the District's financial assistance accounting records maintained at the District Office, the financial assistance disbursement records maintained at the Pinellas Technical Education Centers, and the Grants and Administration Payment System.

**Federal Awards Finding No. 4: Special Tests and Provisions – Post-Withdrawal Disbursements**

Improvements were needed in District procedures over the timely notification and disbursement of post-withdrawal disbursements for students determined to have earned Pell Grant funds in excess of the funds disbursed at the time of withdrawal.

**Audit Objectives and Scope**

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

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

- Corrected, or are in the process of correcting, instances of noncompliance related to Federal awards disclosed in previous audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2005. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

### Audit Methodology

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

### Management Response

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Pinellas County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 55 and 56.

This audit was conducted by Alma E. Wade, CPA, and supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at [davidmartin@aud.state.fl.us](mailto:davidmartin@aud.state.fl.us) or by telephone at (850) 487-9039.

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

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**FINANCIAL SECTION**

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

***EXHIBIT – A***    *Statement of Net Assets.*

***EXHIBIT – B***    *Statement of Activities.*

***EXHIBIT – C***    *Balance Sheet – Governmental Funds.*

***EXHIBIT – D***    *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

***EXHIBIT – E***    *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

***EXHIBIT – F***    *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

***EXHIBIT – G***    *Statement of Net Assets – Proprietary Fund.*

***EXHIBIT – H***    *Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund.*

***EXHIBIT – I***    *Statement of Cash Flows – Proprietary Fund.*

***EXHIBIT – J***    *Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*

***EXHIBIT – K***    *Notes to Financial Statements.*

***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

***EXHIBIT – L***    *Budgetary Comparison Schedule – General Fund.*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pinellas County District School Board as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed on page 1. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion insofar as it relates to the amounts included for the discretely component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pinellas County District School Board as of June 30, 2005, and the respective changes in financial position



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

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

The Management's Discussion and Analysis (pages 4 through 11) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Respectfully submitted,



William O. Monroe, CPA

January 23, 2006



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 13 through 42.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2004-05 fiscal year are as follows:

- The District's total net assets increased by \$65.8 million. The majority of the increase is due to increases in property taxes collected during the year and investment earnings.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$231.8 million, an increase of \$11.2 million in comparison with the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund is \$42 million, or 5.9 percent of total General Fund revenues, and is available for spending at the District's discretion.
- The District's total debt decreased by \$2.1 million, or 4.7 percent, during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes the Management's Discussion and Analysis.

The major features of the District's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

**Major Features of the District-wide and Fund Financial Statements**

	District-Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary.	Activities the District provides to other funds. The District's self-insurance program is the only proprietary operation.	Assets held by the District in a trustee or grant capacity, such as the internal accounts of the schools.
Required financial statements	Statement of Net Assets, and Statement of Activities.	Balance Sheet, and Statement of Revenues, Expenditures and Changes in Fund Balance.	Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows.	Statement of Fiduciary Assets and Liabilities.
Basis of accounting and measurement focus	Accrual accounting.  Economic resources focus.	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.	Accrual accounting.  Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**Government-Wide Financial Statements**

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

The government-wide statements present the District's activities in two categories:

- Governmental activities – This represents most of the District’s services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Component units – The District presents five separate legal entities in this report (a foundation and four charter schools). Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

### **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District’s financial activities, focusing on its most significant or “major” funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District’s funds may be classified within one of three broad categories as discussed below.

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

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

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

**Proprietary Funds.** An internal service fund is used to account for the District’s self-insurance programs.

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

### Notes to Financial Statements

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2005, compared to net assets as of June 30, 2004:

	Net Assets, End of Year			
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-05	6-30-04		
Current and Other Assets	\$ 295,614,300	\$ 287,542,417	\$ 8,071,883	
Capital Assets	1,479,269,650	1,427,443,273	51,826,377	
<b>Total Assets</b>	<b>1,774,883,950</b>	<b>1,714,985,690</b>	<b>59,898,260</b>	3.5%
Long-Term Liabilities	170,372,321	170,807,958	(435,637)	
Other Liabilities	35,270,759	40,741,146	(5,470,387)	
<b>Total Liabilities</b>	<b>205,643,080</b>	<b>211,549,104</b>	<b>(5,906,024)</b>	-2.8%
Net Assets:				
Invested in Capital Assets -				
Net of Debt	1,436,262,680	1,382,406,265	53,856,415	
Restricted	178,698,927	149,119,517	29,579,410	
Unrestricted (Deficit)	(45,720,737)	(28,089,196)	(17,631,541)	
<b>Total Net Assets</b>	<b>\$ 1,569,240,870</b>	<b>\$ 1,503,436,586</b>	<b>\$ 65,804,284.00</b>	4.4%

The District's net assets increased 4.4 percent, to \$1.6 billion. This is attributed to a combination of an increase in total assets and a decrease in total liabilities. The District reports an unrestricted net asset deficit of \$45.7 million due to the accounting methodology required by GASB 34. The calculation of net assets uses a historical cost of school buildings that may not accurately reflect the fair value. The District remodels and rebuilds facilities, and as the need arises, buildings are razed for the purpose of rebuilding a facility.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2005, and June 30, 2004, are as follows:

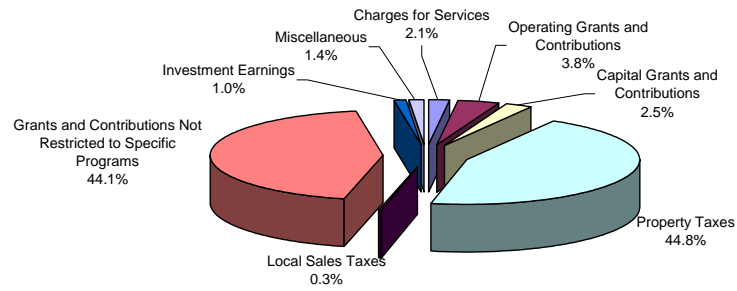
## Operating Results for the Year

	Governmental Activities	
	6-30-05	6-30-04
Program Revenues:		
Charges for Services	\$ 19,727,777	\$ 19,396,085
Operating Grants and Contributions	36,663,122	36,243,230
Capital Grants and Contributions	23,900,598	27,974,143
General Revenues:		
Property Taxes	431,254,296	396,534,762
Local Sales Taxes	3,038,086	11,014,642
Grants and Contributions Not Restricted to Specific Programs	423,705,921	422,597,477
Unrestricted Investment Earnings	10,077,305	2,614,736
Miscellaneous	13,262,903	9,277,790
<b>Total Revenues</b>	<b>961,630,008</b>	<b>925,652,865</b>
Functions/Program Expenses:		
Instruction	481,596,574	470,242,038
Pupil Personnel Services	38,044,260	37,319,954
Instructional Media Services	12,661,832	12,562,412
Instruction and Curriculum Development Services	32,319,670	28,516,371
Instructional Staff Training	5,830,488	5,848,870
Board of Education	1,242,771	1,702,694
General Administration	8,544,986	8,333,426
School Administration	52,838,301	51,733,155
Facilities Acquisition and Construction	19,171,248	11,208,970
Fiscal Services	4,462,782	3,899,559
Food Services	34,525,246	33,527,284
Central Services	18,816,411	16,463,732
Pupil Transportation Services	40,506,156	36,972,602
Operation of Plant	75,493,957	66,586,655
Maintenance of Plant	25,547,487	23,192,408
Community Services	1,843,560	2,349,688
Interest on Long-Term Debt	3,103,674	2,476,710
Unallocated Depreciation Expenses	25,641,103	30,480,377
Loss on Disposal of Capital Assets	13,635,218	9,781,551
<b>Total Functions/Program Expenses</b>	<b>895,825,724</b>	<b>853,198,456</b>
<b>Increase in Net Assets</b>	<b>65,804,284</b>	<b>72,454,409</b>
Net Assets, Beginning	1,503,436,586	1,430,982,177
Net Assets, Ending	\$ 1,569,240,870	\$ 1,503,436,586

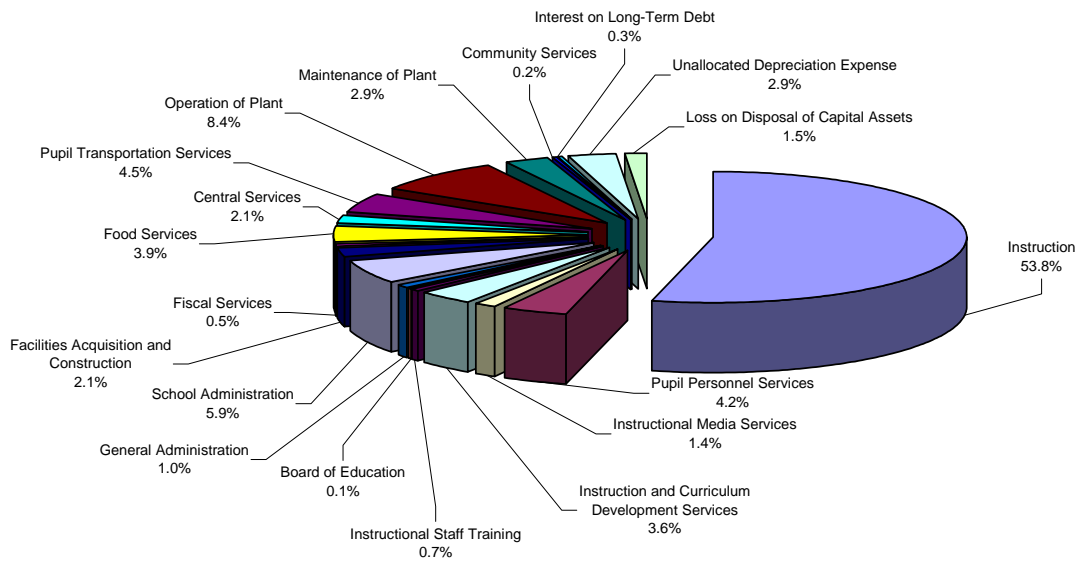
Governmental activities increased the District's net assets by \$65.8 million. Key elements of the increase are as follows:

- Property taxes collected or received increased by \$34.7 million, or 8.8 percent, during the year, as a result of an increase in the taxable assessed values.
- Instructional expenses represent 53.8 percent of total governmental expenses in the 2004-05 fiscal year. Instructional expenses increased by \$11.4 million, or 2.4 percent, from the previous year, due mainly to a 2.7 percent instructional pay raise and the related benefits.
- Expenses for operation of plant increased by \$8.9 million, or 13.4 percent, due mainly to increased salaries and benefits, as well as additional overtime.

### Revenue by Source – Governmental Activities Period Ended June 30, 2005



### Expenses by Source – Governmental Activities Period Ended June 30, 2005



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Major Governmental Funds

The District completed the 2004-05 fiscal year with a total governmental fund balance of \$231.8 million, an increase of \$11.2 million over the 2003-04 fiscal year fund balance of \$220.6 million.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved fund balance of the General Fund is \$42 million, while total fund balance is \$55.7 million. The unreserved fund balance decreased by \$8.9, while the total fund balance decreased by \$9.4 during the fiscal year. The decrease is due to increased expenditures in instruction and maintenance and operation of plant, as well as increased transportation costs as a result of school choice implementation.

The Capital Projects – Local Capital Improvement Fund has a fund balance of \$137.6 million, an increase of \$26.3 million from the 2003-04 fiscal year. The fund balance increased as a result of revenues received in anticipation of impending construction needs.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The final General Fund budgeted expenditures exceeded the original budget by \$21.9 million, or 3.1 percent. Salary increases for the 2004-05 fiscal year were not appropriated to individual functions until after the approval of the original budget. Total expenditures for the General Fund are \$729.8 million, which is \$7.3 million (1 percent) less than final budgeted expenditures.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

By the end of the 2004-05 fiscal year, the District has invested \$2 billion in a broad range of capital assets, including buildings, land, and equipment. This amount represents a net increase of \$73.1 million from the 2003-04 fiscal year. Accumulated depreciation on these assets totals \$476.8 million.

Major capital asset events during the current fiscal year included the following:

- Asset acquisitions totaled \$110 million.
- The District disposed of \$36.8 million in assets, of which \$19.4 million was the result of razing two schools.
- The net change to construction in progress reflected an increase of \$65.3 million.
- The District recognized depreciation expense of \$43.7 million for the year.



<b>Capital Assets</b>		
	<u>6-30-05</u>	<u>6-30-04</u>
Land	\$ 85,013,183	\$ 81,850,993
Land Improvements - Nondepreciable	20,688,297	19,364,263
Construction in Progress	178,274,293	113,023,332
Buildings and Fixed Equipment	1,456,961,874	1,454,208,706
Furniture, Fixtures, and Equipment	154,318,102	153,533,287
Motor Vehicles	46,137,590	46,507,451
Property Under Capital Lease	3,112,850	3,112,850
Audio Visual Materials and Computer Software	11,571,932	11,366,973
<b>Total Capital Assets</b>	<u>1,956,078,121</u>	<u>1,882,967,855</u>
Accumulated Depreciation	<u>(476,808,471)</u>	<u>(455,524,582)</u>
<b>Total Net Capital Assets</b>	<u><u>\$ 1,479,269,650</u></u>	<u><u>\$ 1,427,443,273</u></u>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

### **Long-Term Debt**

At the end of the current fiscal year, the District has total long-term debt outstanding of \$43.2 million. This amount is comprised of \$2.6 million for obligations under capital lease agreements, \$40.4 million of bonds payable, and \$0.1 million in other long-term liabilities. During the year, retirement of debt amounted to \$2.1 million.

Additional information on the District's long-term debt can be found in Notes 6 through 8 to the financial statements.

## **SIGNIFICANT ECONOMIC FACTORS**

The District continues to endure funding challenges. In order to meet anticipated future funding needs, the Board has successfully passed a referendum which allows the District to levy an additional half mill of property tax. The referendum was put to a vote in the November election. The referendum will provide additional funding for the next four years. Currently, the District is reevaluating its expenditure patterns in order to bring the General Fund expenditures into alignment with current revenue.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Pinellas County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Accounting, Pinellas County District School Board, Post Office Box 2942, Largo, Florida, 33779-2942.

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**EXHIBIT - A  
PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2005**

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash	\$ 3,596,717.89	\$ 858,682.00
Investments	249,790,509.42	7,681,029.00
Accounts Receivable	1,643,560.97	210,364.00
Pledges Receivables		668,590.00
Charitable Remainder Trust		309,396.00
Interest Receivable	911,043.40	
Prepaid Items	2,228,069.82	16,234,992.00
Deposits Receivable	6,934.40	20,000.00
Due from Other Agencies	32,472,136.09	
Inventories	4,965,327.75	
Capital Assets:		
Land	85,013,183.00	
Land Improvements - Nondepreciable	20,688,297.00	
Construction in Progress	178,274,293.36	
Leasehold Improvements, Net		63,775.00
Buildings and Fixed Equipment, Net	1,117,147,322.07	195,071.00
Furniture, Fixtures, and Equipment, Net	50,050,791.06	69,918.00
Motor Vehicles, Net	21,013,181.04	1,327.00
Property Under Capital Lease, Net	2,594,042.00	
Audio Visual Materials and Computer Software, Net	4,488,540.94	
<b>TOTAL ASSETS</b>	<b>\$ 1,774,883,950.21</b>	<b>\$ 26,313,144.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 5,047,589.38	\$ 7,883.00
Payroll Deductions and Withholdings	14,052,201.41	
Accounts Payable	3,550,525.15	141,251.00
Construction Contracts Payable	4,912,116.63	
Construction Contracts Payable - Retainage	5,872,944.32	
Due to Other Agencies	1,409,257.74	
Deposits Payable	8,397.00	
Deferred Revenue	417,727.63	
Obligations for Split Interest Agreements		239,604.00
Long-Term Liabilities:		
Portion Due Within One Year:		
Obligations Under Capital Lease	284,552.98	
Bonds Payable	1,840,000.00	
Notes Payable		4,876.00
Estimated Insurance Claims Payable	4,837,744.80	
Other Long-Term Liabilities	72,997.00	
Compensated Absences Payable	9,692,364.04	
Portion Due After One Year:		
Obligations Under Capital Lease	2,287,417.05	
Bonds Payable	38,595,000.00	
Estimated Insurance Claims Payable	17,607,076.20	
Other Long-Term Liabilities	72,997.00	
Compensated Absences Payable	95,082,172.17	
<b>Total Liabilities</b>	<b>205,643,080.50</b>	<b>393,614.00</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,436,262,680.44	330,091.00
Restricted for:		
State Categorical Programs	2,575,395.00	
Debt Service	1,107,126.36	
Capital Projects	165,096,992.97	
Special Revenue	9,767,120.83	
Endowments - Nonexpendable	152,291.66	
Other Purposes		25,271,365.00
Unrestricted	(45,720,737.55)	318,074.00
<b>Total Net Assets</b>	<b>1,569,240,869.71</b>	<b>25,919,530.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,774,883,950.21</b>	<b>\$ 26,313,144.00</b>

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

**EXHIBIT - B  
PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 481,596,574.04	\$ 2,299,740.31	\$	\$
Pupil Personnel Services	38,044,259.48			
Instructional Media Services	12,661,831.89			
Instruction and Curriculum Development Services	32,319,670.24			
Instructional Staff Training	5,830,488.18			
Board of Education	1,242,771.02			
General Administration	8,544,986.03			
School Administration	52,838,301.19			
Facilities Acquisition and Construction	19,171,247.65			8,973,059.27
Fiscal Services	4,462,782.18			
Food Services	34,525,246.25	15,059,837.53	19,134,490.52	
Central Services	18,816,410.69			
Pupil Transportation Services	40,506,156.31	2,368,199.50	17,528,631.00	
Operation of Plant	75,493,956.40			
Maintenance of Plant	25,547,486.30			10,921,878.00
Community Services	1,843,560.25			
Interest on Long-Term Debt	3,103,674.27			4,005,661.00
Unallocated Depreciation Expenses	25,641,103.24			
Loss on Disposal of Capital Assets	13,635,217.95			
<b>Total Governmental Activities</b>	<b>\$ 895,825,723.56</b>	<b>\$ 19,727,777.34</b>	<b>\$ 36,663,121.52</b>	<b>\$ 23,900,598.27</b>
<b>Component Units</b>				
Educational Foundation	\$ 3,711,041.00	\$	\$	\$
Charter Schools	2,983,228.00	208,731.00	85,544.00	70,095.00
<b>Total Component Units</b>	<b>\$ 6,694,269.00</b>	<b>\$ 208,731.00</b>	<b>\$ 85,544.00</b>	<b>\$ 70,095.00</b>

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Special Items:

Donated Goods and Services

**Total General Revenues and Special Items**

**Change in Net Assets**

Net Assets - July 1, 2004

**Net Assets - June 30, 2005**

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

**EXHIBIT - B**

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (479,296,833.73)	\$
(38,044,259.48)	
(12,661,831.89)	
(32,319,670.24)	
(5,830,488.18)	
(1,242,771.02)	
(8,544,986.03)	
(52,838,301.19)	
(10,198,188.38)	
(4,462,782.18)	
(330,918.20)	
(18,816,410.69)	
(20,609,325.81)	
(75,493,956.40)	
(14,625,608.30)	
(1,843,560.25)	
901,986.73	
(25,641,103.24)	
<u>(13,635,217.95)</u>	
<u>(815,534,226.43)</u>	
	(3,711,041.00)
	<u>(2,618,858.00)</u>
	<u>(6,329,899.00)</u>
325,049,844.76	
106,204,450.79	
3,038,086.40	
423,705,920.83	6,724,018.00
10,077,304.85	466,063.00
13,262,902.51	26,814.00
	<u>508,499.00</u>
<u>881,338,510.14</u>	<u>7,725,394.00</u>
65,804,283.71	1,395,495.00
<u>1,503,436,586.00</u>	<u>24,524,035.00</u>
<u>\$ 1,569,240,869.71</u>	<u>\$ 25,919,530.00</u>

**EXHIBIT - C**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2005**

	General Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 383,008.95	\$ 3,050,113.92	\$ 114,881.98	\$ 3,548,004.85
Investments	57,213,669.88	142,132,852.92	28,419,717.33	227,766,240.13
Accounts Receivable	337,508.43		17,815.13	355,323.56
Interest Receivable	186,169.70	547,212.58	80,432.14	813,814.42
Deposits Receivable	6,934.40			6,934.40
Prepaid Items	2,218,601.94		9,467.88	2,228,069.82
Due from Other Funds	11,411,539.84	3,653,979.31	1,483,415.67	16,548,934.82
Due from Other Agencies	9,471,140.73	2,755,527.82	20,245,467.54	32,472,136.09
Inventories	3,848,382.07		1,116,945.68	4,965,327.75
<b>TOTAL ASSETS</b>	<b>\$ 85,076,955.94</b>	<b>\$ 152,139,686.55</b>	<b>\$ 51,488,143.35</b>	<b>\$ 288,704,785.84</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Salaries and Benefits Payable	\$ 5,047,589.38	\$	\$ 735,481.41	\$ 5,047,589.38
Payroll Deductions and Withholdings	13,316,720.00		440,705.06	14,052,201.41
Accounts Payable	2,675,340.47	364,787.33	1,577,614.76	3,480,832.86
Construction Contracts Payable	621.00	3,333,880.87	2,877,453.60	4,912,116.63
Construction Contracts Payable - Retainage		2,995,490.72	5,872,944.32	5,872,944.32
Due to Other Funds	7,140,866.87	7,871,431.38	6,691,323.59	21,703,621.84
Due to Other Agencies	1,210,531.63		198,726.11	1,409,257.74
Deposits Payable	8,397.00			8,397.00
Deferred Revenue	324.38		417,403.25	417,727.63
<b>Total Liabilities</b>	<b>29,400,390.73</b>	<b>14,565,590.30</b>	<b>12,938,707.78</b>	<b>56,904,688.81</b>
Fund Balances:				
Reserved for State Categorical Programs	2,575,395.00			2,575,395.00
Reserved for Encumbrances	7,277,322.00	34,130,294.72	8,148,384.53	49,556,001.25
Reserved for Inventories	3,848,382.07		1,116,945.68	4,965,327.75
Reserved for Debt Service			1,107,126.36	1,107,126.36
Reserved for Endowments			152,291.66	152,291.66
Unreserved, reported in:				
General Fund	41,975,466.14			41,975,466.14
Special Revenue Funds			7,201,221.02	7,201,221.02
Capital Projects Funds		103,443,801.53	20,823,466.32	124,267,267.85
<b>Total Fund Balances</b>	<b>55,676,565.21</b>	<b>137,574,096.25</b>	<b>38,549,435.57</b>	<b>231,800,097.03</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 85,076,955.94</b>	<b>\$ 152,139,686.55</b>	<b>\$ 51,488,143.35</b>	<b>\$ 288,704,785.84</b>

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

**EXHIBIT - D  
PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**Total Fund Balances - Governmental Funds** \$ 231,800,097.03

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,479,269,650.47

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 6,098,622.45

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

Obligations Under Capital Lease	\$ 2,571,970.03	
Bonds Payable	40,435,000.00	
Other Long-Term Liabilities	145,994.00	
Compensated Absences Payable	104,774,536.21	(147,927,500.24)

**Total Net Assets - Governmental Activities** \$ 1,569,240,869.71

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



**EXHIBIT - E**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2005**

	General Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 276,439.63	\$	\$ 4,525,996.83	\$ 4,802,436.46
Federal Through State	22,500.00		84,500,093.20	84,522,593.20
State	370,297,002.13		24,647,608.83	394,944,610.96
Local	344,813,589.40	110,781,718.02	20,065,480.42	475,660,787.84
<b>Total Revenues</b>	<b>715,409,531.16</b>	<b>110,781,718.02</b>	<b>133,739,179.28</b>	<b>959,930,428.46</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	440,677,676.03		34,088,833.68	474,766,509.71
Pupil Personnel Services	31,966,271.76		5,879,420.68	37,845,692.44
Instructional Media Services	11,838,911.86		637,813.17	12,476,725.03
Instruction and Curriculum Development Services	13,058,715.36		18,972,310.93	32,031,026.29
Instructional Staff Training	2,297,849.93		3,100,550.55	5,398,400.48
Board of Education	1,237,558.81			1,237,558.81
General Administration	6,201,885.44		2,241,643.41	8,443,528.85
School Administration	52,445,040.37		279,400.41	52,724,440.78
Facilities Acquisition and Construction	805,843.08		359,620.69	1,165,463.77
Fiscal Services	4,406,042.75		37,252.06	4,443,294.81
Food Services			34,051,801.67	34,051,801.67
Central Services	18,072,368.20		730,516.75	18,802,884.95
Pupil Transportation Services	40,083,196.38		39,279.10	40,122,475.48
Operation of Plant	75,122,012.96		151,117.50	75,273,130.46
Maintenance of Plant	25,320,197.55			25,320,197.55
Community Services	741,774.98		1,073,769.55	1,815,544.53
Fixed Capital Outlay:				
Facilities Acquisition and Construction	229,247.60	79,349,649.13	31,210,490.32	110,789,387.05
Other Capital Outlay	4,422,870.83		3,176,894.13	7,599,764.96
Debt Service:				
Principal	109,975.00	275,038.76	1,755,000.00	2,140,013.76
Interest and Fiscal Charges	716,000.00	95,313.50	2,292,360.77	3,103,674.27
<b>Total Expenditures</b>	<b>729,753,438.89</b>	<b>79,720,001.39</b>	<b>140,078,075.37</b>	<b>949,551,515.65</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(14,343,907.73)</b>	<b>31,061,716.63</b>	<b>(6,338,896.09)</b>	<b>10,378,912.81</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,830,013.00	94,000.00		4,924,013.00
Sale of Capital Assets			770,700.00	770,700.00
Insurance Loss Recoveries	96,480.72			96,480.72
Transfers Out		(4,830,013.00)	(94,000.00)	(4,924,013.00)
<b>Total Other Financing Sources (Uses)</b>	<b>4,926,493.72</b>	<b>(4,736,013.00)</b>	<b>676,700.00</b>	<b>867,180.72</b>
<b>Net Change in Fund Balances</b>	<b>(9,417,414.01)</b>	<b>26,325,703.63</b>	<b>(5,662,196.09)</b>	<b>11,246,093.53</b>
Fund Balances, July 1, 2004	65,093,979.22	111,248,392.62	44,211,631.66	220,554,003.50
<b>Fund Balances, June 30, 2005</b>	<b>\$ 55,676,565.21</b>	<b>\$ 137,574,096.25</b>	<b>\$ 38,549,435.57</b>	<b>\$ 231,800,097.03</b>

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

**EXHIBIT - F  
PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Net Change in Fund Balances - Governmental Funds** \$ 11,246,093.53

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 65,465,252.41

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,140,013.76

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (13,635,217.95)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (570,668.47)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 1,158,810.43

**Change in Net Assets - Governmental Activities** \$ 65,804,283.71

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





**EXHIBIT - I  
PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Board Funds	\$ 5,740,075.76
Cash Payments for Insurance Claims	(6,570,472.46)
	<u>(830,396.70)</u>
<b>Net Cash Used by Operating Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	47,793,306.67
Interest on Investments	828,741.16
Purchase of Investments	(47,794,747.09)
	<u>827,300.74</u>
<b>Net Cash Provided by Investing Activities</b>	
<b>Net Decrease in Cash</b>	(3,095.96)
Cash, Beginning	<u>51,809.00</u>
<b>Cash, Ending</b>	<u>\$ 48,713.04</u>
 <b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>	
Operating Income	\$ 330,069.27
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	6,114.77
Increase in Interest Receivable	(24,176.42)
Increase in Due From Other Funds	(2,281,285.25)
Increase in Accounts Payable	2,789.86
Increase in Estimated Insurance Claims Payable	1,133,708.00
Increase in Due to Other Funds	2,383.07
	<u>(1,160,465.97)</u>
<b>Total Adjustments</b>	
<b>Net Cash Used by Operating Activities</b>	<u>\$ (830,396.70)</u>

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

**EXHIBIT - J**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**FIDUCIARY FUNDS**  
**June 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 7,568,890.41
Investments	40,952.95
Accounts Receivable, Net	134,915.72
Due from Other Funds	66,902.43
Inventories	<u>74.00</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,811,735.51</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 135,468.08
Due to Other Funds	923,020.94
Due to Other Agencies	35,053.67
Deposits Payable	2,525.00
Internal Accounts Payable	<u>6,715,667.82</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 7,811,735.51</u></b>

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

**EXHIBIT – K**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Pinellas County School District is considered part of the Florida system of public education. The governing body of the school district is the Pinellas County District School Board which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Pinellas County.

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

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

- **Discretely Presented Component Units.** The component units columns in the basic financial statements, Exhibits A and B, include the financial data of the District's component units. These component units consist of the Pinellas Education Foundation, Inc., and the following charter schools: Academie Da Vinci Charter School, Inc.; The Athenian Academy Inc.; Pinellas Preparatory Academy, Inc.; and Plato Academy Charter School.

The Pinellas Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes. The Foundation receives, holds, invests, and administers property and makes expenditures to or for the benefit of the District.

The Charter Schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter Schools operate under charters approved by their sponsor, the Pinellas County District School Board.

Annual postaudits of the Foundation's and the Charter Schools' financial statements are conducted by independent certified public accountants and the audit reports are filed in the District's administrative offices.

➤ **Basis of Presentation**

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



**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses which can be associated with a specific program or activity are allocated to the related function, while remaining depreciation expenses are reported as unallocated.

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

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

The District reports the following major governmental funds:

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

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

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

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recognized when earned

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and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 21 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for workers' compensation, general liability, and auto liability self-insurance claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

➤ **Deposits and Investments**

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

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

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Investments made locally consist of obligations of United States Government Agencies and Instrumentalities, a short-term United States Government bond fund, and a money market fund and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving-average basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	5 - 15 years
Audio Visual Materials and Computer Software	5 - 10 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the lottery-funded Public School Capital Outlay Program (commonly called the Classrooms First Program). The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2004 tax levy on September 14, 2004. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**3. INVESTMENTS**

As of June 30, 2005, the District has the following investments and maturities:

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Investment	Fair Value	Investment Maturity Groupings			
		Six Months or Less	Greater Than Six Months To Two Years	Greater Than Two Years To Four Years	Greater Than Four Years To Six Years
State Board of Administration Local Government					
Surplus Funds Trust Fund	\$ 19,989,871.81	\$ 19,989,871.81	\$	\$	\$
State Board of Administration Debt Service Accounts	34,333.17	34,333.17			
Money Market Fund	94,542.32	94,542.32			
The Core Fund Short-Term United States Government					
Bond Fund	25,460,791.86		25,460,791.86		
Obligations of United States Government Agencies and Instrumentalities:					
Federal Agency Mortgage Backed Securities					
Pool (1)	9,391,184.29		9,391,184.29		
Federal Agency Coupon Securities (1)	36,496,393.00	5,003,150.00	31,493,243.00		
Collateralized Mortgage Obligations (1)	114,836,420.33	35,350,413.20	33,708,363.52	26,671,578.35	19,106,065.26
Collateralized Mortgage Obligations - Floating Rate (1)	18,435,110.60			15,051,300.00	3,383,810.60
Adjustable Rate Mortgage Obligations (1)	11,139,054.99	1,774,258.13	9,364,796.86		
Federal Agency Floating Rate Securities (1)	13,953,760.00	10,000,000.00	3,953,760.00		
<b>Total Investments, Primary Government</b>	<b>249,831,462.37</b>	<b>\$ 72,246,568.63</b>	<b>\$ 113,372,139.53</b>	<b>\$ 41,722,878.35</b>	<b>\$ 22,489,875.86</b>
Investments - Component Units (2)	7,681,029.00				
<b>Total</b>	<b>\$ 257,512,491.37</b>				

Notes: (1) The District uses the modified duration method to determine maturities for these investments.

(2) Information regarding the maturities, risks, and ratings associated with investments in short-term investments, mutual funds, foreign government obligations, U.S. Government obligations, stocks, and bonds was not disclosed in the annual postaudit of the Pinellas Education Foundation, Inc., filed in the District's administrative offices. There were no other investments reported by the District's remaining component units.

Section 218.415, Florida Statutes, limits the types of investments that the District can invest in, unless specifically authorized in District policy.

**Interest Rate Risk**

- District policies limit the length of investments, as follows: (1) the weighted average duration of the investment portfolio shall not exceed five years and (2) the maximum duration of any security purchased shall not exceed eight years. The District uses modified duration to determine the maturity of its investments in obligations of United States Government Agencies and Instrumentalities.
- The District has \$185,564,103.21 in obligations of United States Government Agencies and Instrumentalities that include embedded options consisting of the option at the discretion of the issuer to call their obligation. These securities have various call dates and mature between July 2005 and August 2009 (modified duration maturity dates).

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As of June 30, 2005, the District has the following interest rate risk by fund:

Investment by Fund	Fair Value	Investment Maturity Groupings			
		Six Months or Less	Greater Than Six Months To Two Years	Greater Than Two Years To Four Years	Greater Than Four Years To Six Years
<b>Major Governmental Funds:</b>					
General Fund	\$ 57,213,669.88	\$ 20,001,035.89	\$ 24,206,179.04	\$ 8,451,074.00	\$ 4,555,380.95
<b>Capital Project Fund:</b>					
Local Capital Improvement Fund	142,132,852.92	33,045,873.99	70,270,493.49	25,221,399.08	13,595,086.36
<b>Nonmajor Governmental Funds</b>	<b>28,419,717.33</b>	<b>13,161,130.52</b>	<b>9,633,763.88</b>	<b>3,654,784.88</b>	<b>1,970,038.05</b>
<b>Proprietary Funds:</b>					
Internal Service Funds	22,024,269.29	5,997,575.28	9,261,703.12	4,395,620.39	2,369,370.50
<b>Fiduciary Funds:</b>					
Agency Funds	40,952.95	40,952.95			
<b>Total Investments, Primary Government</b>	<b>\$ 249,831,462.37</b>	<b>\$ 72,246,568.63</b>	<b>\$ 113,372,139.53</b>	<b>\$ 41,722,878.35</b>	<b>\$ 22,489,875.86</b>

**Credit Risk**

District policies allow for investments in:

- Direct obligations of the United States Treasury and obligations of Federal Agencies and Instrumentalities. The District's investments in obligations of United States Government Agencies and Instrumentalities totaling \$204,251,923.21 are reported at fair value. These investments were rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.
- Money market funds with the highest credit quality rating from a nationally recognized rating agency. As of June 30, 2005, the District has investments in the Evergreen Institutional Treasury Money Market Fund with a fair value of \$94,542.32. This fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investor Services.
- Securities of any open-end or closed-end management type investment company or investment trust provided the portfolio of such investment company is limited to obligations of the United States Government or any agency or instrumentality thereof. The District has investments with a fair value of \$25,460,791.86 in the Core Fund at June 30, 2005. The Core Fund is a short-term U.S. government bond fund. This fund was rated AAAf/S1+ by Standard and Poor's.
- The investments in the State Board of Administration Local Government Surplus Funds Trust Fund were unrated.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

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Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investment policy addresses selection and approval of investment institutions and dealers, as well as requirements for third-party custodial agreements to address custodial credit risk.
- The District's investments totaling \$204,251,923.21 in obligations of United States Government Agencies and Instrumentalities are held by the District's custodial agent in the name of the District.

Concentration of Credit Risk

- The District's policies limit the invested value of any single issue to 5 percent of the total invested value of the managed investment program. The District had investments that represent 5 percent or more of total investments (excluding obligations with the explicit guarantee of the U.S. government, investment pools, and money market funds) as of June 30, 2005, as follows:

Issuer	Fair Value	Percent of Total Investments, Primary Government
Federal Home Loan Mortgage Corporation	\$ 76,949,790.00	30.80%
Federal National Mortgage Association	60,292,470.19	24.13%
Federal Home Loan Bank	18,853,810.00	7.55%
	<u>\$ 156,096,070.19</u>	

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.



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	Balance 7-1-04	Additions	Deletions	Balance 6-30-05
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 81,850,993.00	\$ 3,932,889.00	\$ 770,699.00	\$ 85,013,183.00
Land Improvements	19,364,263.00	1,324,034.00		20,688,297.00
Construction in Progress	113,023,332.17	85,414,651.50	20,163,690.31	178,274,293.36
Total Capital Assets Not Being Depreciated	<u>214,238,588.17</u>	<u>90,671,574.50</u>	<u>20,934,389.31</u>	<u>283,975,773.36</u>
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	1,454,208,706.00	22,200,622.70	19,447,454.52	1,456,961,874.18
Furniture, Fixtures, and Equipment	153,533,286.81	14,674,554.58	13,889,739.84	154,318,101.55
Motor Vehicles	46,507,450.92	1,021,650.00	1,391,510.51	46,137,590.41
Property Under Capital Lease	3,112,850.00			3,112,850.00
Audio Visual and Computer Software	11,366,973.05	1,528,093.85	1,323,135.30	11,571,931.60
Total Capital Assets Being Depreciated	<u>1,668,729,266.78</u>	<u>39,424,921.13</u>	<u>36,051,840.17</u>	<u>1,672,102,347.74</u>
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	323,514,832.00	23,806,899.03	7,507,178.92	339,814,552.11
Furniture, Fixtures, and Equipment	102,280,501.43	14,868,634.63	12,881,825.57	104,267,310.49
Motor Vehicles	23,293,795.00	3,096,419.88	1,265,805.51	25,124,409.37
Property Under Capital Lease	259,404.00	259,404.00		518,808.00
Audio Visual and Computer Software	6,176,049.58	1,669,153.30	761,812.22	7,083,390.66
Total Accumulated Depreciation	<u>455,524,582.01</u>	<u>43,700,510.84</u>	<u>22,416,622.22</u>	<u>476,808,470.63</u>
Total Capital Assets Being Depreciated, Net	<u>1,213,204,684.77</u>	<u>(4,275,589.71)</u>	<u>13,635,217.95</u>	<u>1,195,293,877.11</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,427,443,272.94</u>	<u>\$ 86,395,984.79</u>	<u>\$ 34,569,607.26</u>	<u>\$ 1,479,269,650.47</u>

The class of property under capital lease is presented in Note 6.

Depreciation expenses were charged to functions as follows:

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<u>Function</u>	<u>Amount</u>
<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 6,502,068.11
Pupil Personnel Services	172,421.04
Instructional Media Services	176,487.22
Instruction and Curriculum Development Services	266,515.06
Instructional Staff Training	428,358.17
Board of Education	4,281.26
General Administration	95,623.90
School Administration	77,435.31
Facilities Acquisition and Construction	8,777,933.02
Fiscal Services	16,417.68
Food Service	449,919.62
Central Services	330,604.89
Pupil Transportation Services	355,961.89
Operation of Plant	168,822.90
Maintenance of Plant	209,796.09
Community Services	26,761.44
Unallocated	<u>25,641,103.24</u>
 Total Depreciation Expenses - Governmental Activities	 <u><u>\$43,700,510.84</u></u>

**5. CHANGES IN SHORT-TERM DEBT**

The following is a schedule of changes in short-term debt:

	<u>Balance 7-1-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-05</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Tax Anticipation Notes	<u>\$ 0.00</u>	<u>\$ 60,000,000.00</u>	<u>\$ 60,000,000.00</u>	<u>\$ 0.00</u>

Tax Anticipation Notes were sold to provide funds for payment of operating expenses incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes. The Notes carried an interest rate of 3 percent.

**6. OBLIGATIONS UNDER CAPITAL LEASE**

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

	<u>Asset Balance</u>
Buses	<u>\$ 3,112,850.00</u>

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

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<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 370,352.26	\$ 284,552.98	\$ 85,799.28
2007	370,352.26	294,396.83	75,955.43
2008	370,352.26	304,581.24	65,771.02
2009	370,352.26	315,117.96	55,234.30
2010	370,352.26	326,019.19	44,333.07
2011-2013	<u>1,111,056.78</u>	<u>1,047,301.83</u>	<u>63,754.95</u>
Total Minimum Lease Payments	<u>\$2,962,818.08</u>	<u>\$2,571,970.03</u>	<u>\$ 390,848.05</u>

The stated interest rate is 3.43 percent.

**7. BONDS PAYABLE**

Bonds payable at June 30, 2005, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2000-A	\$ 39,825,000	4.875 - 6.000	2020
Series 2001-A	<u>610,000</u>	4.10 - 5.25	2021
Total Bonds Payable	<u>\$ 40,435,000</u>		

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

➤ **State School Bonds**

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

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Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2006	\$ 4,044,411.25	\$ 1,840,000.00	\$ 2,204,411.25
2007	4,044,355.00	1,930,000.00	2,114,355.00
2008	4,042,642.50	2,025,000.00	2,017,642.50
2009	4,047,067.50	2,130,000.00	1,917,067.50
2010	4,046,087.50	2,235,000.00	1,811,087.50
2011-2015	20,240,000.00	13,080,000.00	7,160,000.00
2016-2020	20,247,200.00	17,180,000.00	3,067,200.00
2021	15,750.00	15,000.00	750.00
<b>Total State School Bonds</b>	<b>\$ 60,727,513.75</b>	<b>\$ 40,435,000.00</b>	<b>\$ 20,292,513.75</b>

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

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

Description	Balance 7-1-04	Additions	Deductions	Balance 6-30-05	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 2,847,008.79	\$	\$ 275,038.76	\$ 2,571,970.03	\$ 284,552.98
Bonds Payable	42,190,000.00		1,755,000.00	40,435,000.00	1,840,000.00
Estimated Insurance Claims Payable	21,311,113.00	7,704,180.46	6,570,472.46	22,444,821.00	4,837,744.80
Other Long-Term Liabilities	255,969.00		109,975.00	145,994.00	72,997.00
Compensated Absences Payable	104,203,867.74	10,538,568.85	9,967,900.38	104,774,536.21	9,692,364.04
<b>Total Governmental Activities</b>	<b>\$ 170,807,958.53</b>	<b>\$ 18,242,749.31</b>	<b>\$ 18,678,386.60</b>	<b>\$ 170,372,321.24</b>	<b>\$ 16,727,658.82</b>

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

**9. RESERVE FOR ENCUMBRANCES**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2005-06 fiscal year budget as a result of purchase orders outstanding at June 30, 2005.

**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

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

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 11,411,539.84	\$ 7,140,866.87
Capital Projects:		
Local Capital Improvement Fund	3,653,979.31	7,871,431.38
Nonmajor Governmental Funds	1,483,415.67	6,691,323.59
Internal Service Fund	6,013,188.60	2,383.07
Fiduciary Funds	66,902.43	923,020.94
Total	<u>\$22,629,025.85</u>	<u>\$22,629,025.85</u>

Interfund receivables and payables are the result of June charges for warehouse deliveries, central printing services and maintenance work orders; adjustment of self-insurance reserves; reimbursements to the General Fund from the Capital Projects - Local Capital Improvement Fund for transferred expenditures; and short term cash flow borrowings. All balances are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 4,830,013.00	\$
Capital Projects:		
Local Capital Improvement Fund	94,000.00	4,830,013.00
Nonmajor Governmental Funds		94,000.00
Total	<u>\$4,924,013.00</u>	<u>\$4,924,013.00</u>

Interfund transfers represent permanent transfers of moneys between funds. In general, funds were transferred from the Capital Projects - Local Capital Improvement Fund to the General Fund to reimburse the General Fund for allowable capital-related expenditures.

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2004-05 fiscal year:

**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 249,841,916.00
Categorical Educational Programs:	
Class Size Reduction	42,393,679.65
Transportation	17,528,631.00
Instructional Materials	9,605,540.00
Discretionary Lottery Funds	6,383,533.00
School Recognition Program	4,996,118.00
Other	4,876,975.23
Workforce Development	26,374,438.00
Gross Receipts Tax (Public Education Capital Outlay)	10,921,878.00
Classrooms for Kids	8,385,667.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	4,593,053.27
Mobile Home License Tax	779,070.52
Adults With Disabilities	741,823.00
Florida Teachers Lead Program	710,537.00
Food Service Supplement	572,070.00
Racing Commission Funds	223,250.00
Miscellaneous	<u>6,016,431.29</u>
 Total	 <u><u>\$ 394,944,610.96</u></u>

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

**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2004 tax roll for the 2004-05 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.504	\$ 302,003,850.56
Basic Discretionary Local Effort	0.510	27,983,641.67
Supplemental Discretionary Local Effort	0.108	5,925,947.65
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>109,739,771.28</u>
 Total	 <u><u>8.122</u></u>	 <u><u>\$445,653,211.16</u></u>

**13. STATE RETIREMENT PROGRAM**

***Defined Benefit Plan.*** All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit

**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The defined benefit plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

**Funding Policy.** The contribution rates for members are established, and may be amended, by the State of Florida. During the 2004-05 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	9.37
Florida Retirement System, Special Risk	0.00	18.53
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.08 percent for administrative costs of the Public Employee Optional Retirement Program.

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

**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005, totaled \$29,585,239, \$37,942,133, and \$37,664,161, respectively, which were equal to the required contributions for each fiscal year.

**Defined Contribution Plan.** Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2005, totaled \$1,714,785.

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



**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**14. CONSTRUCTION CONTRACT COMMITMENTS**

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

Project	Contract Amount	Completed to Date	Balance Committed
Dunedin Elementary School:			
Architect	\$ 668,603.00	\$ 61,755.28	\$ 606,847.72
Contractor	6,527,365.00	31,853.00	6,495,512.00
Gibbs High School:			
Architect	2,607,089.00	2,580,816.50	26,272.50
Contractor	46,638,595.00	44,130,401.00	2,508,194.00
Lealman Intermediate School:			
Architect	592,270.00	555,917.30	36,352.70
Contractor	13,212,744.00	12,344,143.90	868,600.10
Oak Grove Middle School:			
Architect	941,595.00	892,286.17	49,308.83
Contractor	20,967,708.00	19,209,298.05	1,758,409.95
Safety Harbor Middle School:			
Architect	813,258.00	795,014.87	18,243.13
Contractor	21,862,400.00	21,221,078.57	641,321.43
Oak Park School:			
Contractor	7,596,219.00	4,565,217.92	3,031,001.08
Total	<u>\$ 122,427,846.00</u>	<u>\$ 106,387,782.56</u>	<u>\$ 16,040,063.44</u>

**15. RISK MANAGEMENT PROGRAMS**

***Self-Insured Programs.*** The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of \$22,444,821 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2005.

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

**EXHIBIT - K (Continued)**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2003-04	\$ 22,167,324.00	\$ 3,648,835.00	\$ (4,505,046.00)	\$ 21,311,113.00
2004-05	21,311,113.00	7,704,180.46	(6,570,472.46)	22,444,821.00

**Commercially Purchased Insurance.** Property protection, boiler and machinery, errors and omissions, employment practices liabilities, employee dishonesty, and other coverages deemed necessary by the Board are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. In addition, health and hospitalization, dental, life, and income protection coverages for District employees are being offered through purchased commercial insurance.

**EXHIBIT - L**  
**PINELLAS COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2005**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 185,000.00	\$ 276,433.00	\$ 276,439.63	\$ 6.63
Federal Through State	3,400,000.00	22,501.00	22,500.00	(1.00)
State	372,397,655.00	370,297,001.00	370,297,002.13	1.13
Local	333,069,934.00	344,816,528.00	344,813,589.40	(2,938.60)
<b>Total Revenues</b>	<u>709,052,589.00</u>	<u>715,412,463.00</u>	<u>715,409,531.16</u>	<u>(2,931.84)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	463,509,981.00	443,587,259.74	440,677,676.03	2,909,583.71
Pupil Personnel Services	25,410,195.00	32,066,986.33	31,966,271.76	100,714.57
Instructional Media Services	10,561,682.00	11,910,232.88	11,838,911.86	71,321.02
Instruction and Curriculum Development Services	11,053,740.00	13,510,961.33	13,058,715.36	452,245.97
Instructional Staff Training	3,558,447.00	2,431,971.84	2,297,849.93	134,121.91
Board of Education	1,475,327.00	1,248,085.77	1,237,558.81	10,526.96
General Administration	5,470,153.00	6,364,310.46	6,201,885.44	162,425.02
School Administration	46,549,323.00	52,869,253.29	52,445,040.37	424,212.92
Facilities Acquisition and Construction	3,704,363.00	868,185.40	805,843.08	62,342.32
Fiscal Services	3,651,294.00	4,433,702.59	4,406,042.75	27,659.84
Central Services	17,016,648.00	19,342,370.99	18,072,368.20	1,270,002.79
Pupil Transportation Services	37,754,637.00	40,370,387.72	40,083,196.38	287,191.34
Operation of Plant	63,997,126.00	75,573,291.03	75,122,012.96	451,278.07
Maintenance of Plant	17,576,504.00	26,225,089.53	25,320,197.55	904,891.98
Community Services	1,511,350.00	750,579.67	741,774.98	8,804.69
Fixed Capital Outlay:				
Facilities Acquisition and Construction		229,247.60	229,247.60	
Other Capital Outlay		4,422,870.83	4,422,870.83	
Debt Service:				
Principal		109,975.00	109,975.00	
Interest and Fiscal Charges	2,300,000.00	716,000.00	716,000.00	
<b>Total Expenditures</b>	<u>715,100,770.00</u>	<u>737,030,762.00</u>	<u>729,753,438.89</u>	<u>7,277,323.11</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(6,048,181.00)</u>	<u>(21,618,299.00)</u>	<u>(14,343,907.73)</u>	<u>7,274,391.27</u>
<b>Other Financing Sources</b>				
Transfers In	5,000,000.00	4,830,013.00	4,830,013.00	
Insurance Loss Recoveries	500,000.00	96,487.00	96,480.72	(6.28)
<b>Total Other Financing Sources</b>	<u>5,500,000.00</u>	<u>4,926,500.00</u>	<u>4,926,493.72</u>	<u>(6.28)</u>
<b>Net Change in Fund Balance</b>	(548,181.00)	(16,691,799.00)	(9,417,414.01)	7,274,384.99
Fund Balance, July 1, 2004	65,275,051.00	60,291,027.36	65,093,979.22	4,802,951.86
<b>Fund Balance, June 30, 2005</b>	<u>\$ 64,726,870.00</u>	<u>\$ 43,599,228.36</u>	<u>\$ 55,676,565.21</u>	<u>\$ 12,077,336.85</u>

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**FEDERAL REPORTS AND SCHEDULES**

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

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133*

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pinellas County District School Board as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the District's basic financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

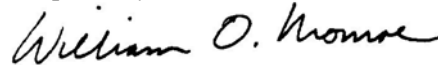
*Compliance and Other Matters*

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

We noted certain instances of noncompliance related to Federal programs which are discussed in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** section of this audit report.

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

Respectfully submitted,



William O. Monroe, CPA  
January 23, 2006



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### *Compliance*

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. The District's major Federal programs are identified in the **SUMMARY OF AUDIT RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. However, as discussed in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, the results of our auditing procedures disclosed some instances of noncompliance with those requirements that are required to be reported in accordance with OMB *Circular A-133*.

### ***Internal Control Over Compliance***


District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

We noted a matter, described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance and its operation would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition referred to above is not a material weakness.

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

Respectfully submitted,



William O. Monroe, CPA

January 23, 2006



**PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Florida Department of Agriculture and Consumer Services: Food Donation	10.550 (2)	None	\$ 1,773,367.62	\$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	3,196,845.70	
National School Lunch Program	10.555	300	13,595,829.19	
Summer Food Service Program for Children	10.559	323	76,834.09	
<b>Total Child Nutrition Cluster</b>			<b>16,869,508.98</b>	
<b>Total United States Department of Agriculture</b>			<b>18,642,876.60</b>	
<b>United States Department of Labor:</b>				
Indirect:				
WorkNet Pinellas, Inc.:				
WIA Youth Activities	17.259	None	742,944.77	
Florida Department of Education:				
WIA Incentive Grants - Section 503 Grants to States	17.267	None	1,680.13	
<b>Total United States Department of Labor</b>			<b>744,624.90</b>	
<b>United States Department of Education:</b>				
Direct:				
Federal Pell Grant Program	84.063	N/A	870,675.54	
Impact Aid	84.041	N/A	33,998.54	
Magnet Schools Assistance	84.165	N/A	2,266,936.82	
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	243,920.88	
Fund for the Improvement of Education	84.215	N/A	2,011,553.92	
Transition to Teaching	84.350	N/A	43,310.18	
<b>Total Direct</b>			<b>5,470,395.88</b>	
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	262, 263	26,127,591.26	
Special Education - Preschool Grants	84.173	266, 267	1,214,016.41	
<b>Total Special Education Cluster</b>			<b>27,341,607.67</b>	
Adult Education - State Grant Program	84.002	191, 193	857,158.92	
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	19,711,256.40	
Vocational Education - Basic Grants to States	84.048	151	1,616,359.63	
Safe and Drug-Free Schools and Communities - National Programs	84.184	107	31,873.88	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	624,223.89	
Education for Homeless Children and Youth	84.196	127	73,082.16	
Even Start - State Educational Agencies	84.213	219	483,332.80	
Charter Schools	84.282	298	473,758.35	473,758.35
State Grants for Innovative Programs	84.298	112, 113	602,801.79	
Education Technology State Grants	84.318	121, 122	571,776.94	
Comprehensive School Reform Demonstration	84.332	128	199,933.87	
School Renovation Grants	84.352	145, 146	221,483.33	
Reading First State Grants	84.357	211	5,098,103.82	
Voluntary Public School Choice	84.361	299	47,470.90	
English Language Acquisition Grants	84.365	102	328,827.29	
Improving Teacher Quality State Grants	84.367	224	5,547,623.70	
Washington County District School Board:				
Reading First State Grants	84.357	None	20,201.42	
<b>Total Indirect</b>			<b>63,850,886.76</b>	<b>473,758.35</b>
<b>Total United States Department of Education</b>			<b>69,321,282.64</b>	<b>473,758.35</b>
<b>United States Department of Health and Human Services:</b>				
Indirect:				
Florida Department of Health:				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	175,321.60	
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State Administered Programs	93.566	N/A	607,105.98	
<b>Total United States Department of Health and Human Services</b>			<b>782,427.58</b>	
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	16,447.17	
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Department of Education:				
State Domestic Preparedness Equipment Support Program	97.004	532	984.00	
Florida Department of Law Enforcement:				
State and Local Homeland Security Exercise Support	97.006	N/A	50,005.16	
<b>Total United States Department of Homeland Security</b>			<b>50,989.16</b>	
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	137,271.16	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	50,758.96	
Navy Junior Reserve Officers Training Corps	None	N/A	54,403.97	
<b>Total United States Department of Defense</b>			<b>242,434.09</b>	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 89,801,082.14</b>	<b>\$ 473,758.35</b>

Notes: (1) **Basis of Presentation.** The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2004-05 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) **Noncash Assistance Food Donation.** Represents the amount of donated food used during the 2004-05 fiscal year. Commodities are valued at fair value as determined at the time of donation.

**PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**SUMMARY OF AUDIT RESULTS**

As required by United States Office of Management and Budget *Circular A-133*, Section \_\_.505, the following is a summary of the results of the audit of the Pinellas County District School Board for the fiscal year ended June 30, 2005:

- An unqualified opinion was issued on the financial statements.
- No material weaknesses in internal control were noted.
- No noncompliance was disclosed which is material to the financial statements.
- A certain matter was considered to be a reportable condition in internal control over major Federal programs, though the reportable condition was not considered to be a material weakness.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10559)]; Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; and Federal Pell Grant Program (CFDA No. 84.063).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$2,694,032.46.
- The low risk entity threshold was applied.

**PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINDINGS AND RECOMMENDATIONS**

**Federal Awards Finding No. 1:**

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

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

**Program:** Various

**Finding Type:** Noncompliance

**Questioned Costs:** N/A

**Cash Management.** The District received advances of Federal cash to fund expenditures for the Federal grants received through the Florida Department of Education (FDOE). Title 34, Section 80.21(i), Code of Federal Regulations, provides that subgrantees shall promptly, but at least quarterly, remit interest earned on cash advances to the Federal agency. The subgrantee may keep interest amounts up to \$100 per year for administrative expenses. FDOE has instructed the district school boards to remit interest earned on Federal cash advances to the FDOE Comptroller's Office.

Interest earnings on advances of Federal cash for the fiscal year ended June 30, 2005, totaled \$9,607. The District had not remitted these interest earnings (\$9,507, net of \$100 administrative expenses) to FDOE, contrary to the requirements of Title 34, Section 80.21(i), Code of Federal Regulations.

**Recommendation:** The District should remit to FDOE the interest earnings on cash advances totaling \$9,507. In addition, the District should develop procedures to ensure that interest earnings on cash advances are timely remitted to FDOE, in accordance with Federal regulations.

District Contact Person: Andy Jacobsen, Manager Cash and Investments

**Federal Awards Finding No. 2:**

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

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

**Program:** School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA No. 10.555)

**Finding Type:** Noncompliance

**Questioned Costs:** N/A

**Special Tests and Provisions – Competitive Food Sales.** The District did not comply with applicable Federal Regulations and State rules relating to the sale of competitive food and beverage items. Title 7, Sections 210.11 and 220.12, Code of Federal Regulations, require that state agencies and school food authorities establish such rules or regulations as are necessary to control the sale of foods in competition with meals served under the National School Lunch Program and the School Breakfast Program. State Board of Education Rule 6A-7.042,

Florida Administrative Code, provides that competitive food and beverage items may be sold in secondary schools, with the approval of the school board, one hour following the close of the last lunch period. Also, carbonated beverages may be sold, under certain conditions in secondary schools, but cannot be sold where breakfast or lunch is being served or eaten.

Our review of three of the District's high schools disclosed that, at all three of the schools, vending machines that contained carbonated beverages were located either in the cafeteria or in the immediate proximity of the cafeteria. Sales of these items in the cafeteria area appear to be in conflict with the intent of the State Board Rule which precludes the sale of carbonated beverages where meals are served or eaten. Additionally, at two of these schools, snacks were sold in competition with the food service program prior to one hour after the last lunch period of the day.

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**Recommendation:** The District should take appropriate action to ensure compliance with the Federal regulations and State rules relating to the sale of food and beverages in competition with the National School Lunch Program and the School Breakfast Program.

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District Contact Person: Grey Miller, Director of Food Services

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**Federal Awards Finding No. 3:**

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

**Award Numbers:** P063P042749 and P063P045378

**Program:** Federal Pell Grant Program (CFDA No. 84.063)

**Finding Type:** Reportable Condition

**Questioned Costs:** N/A

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**Special Tests and Provisions - Fiscal Administration.** Title 34, Section 668.14(b)(4), Code of Federal Regulations, requires institutions to establish and maintain administrative and fiscal procedures and records to ensure proper and efficient administration of student financial assistance funds. Our review disclosed that the District had not performed a reconciliation between the District's financial assistance accounting records (general ledger) maintained at the District Office and the financial assistance disbursement records maintained at the Pinellas Technical Education Centers (PTECs). In addition, there was no reconciliation between the District's financial assistance accounting records and the Grants Administration and Payment System (GAPS). Failure to reconcile student financial assistance awards and disbursements could result in the institution receiving funding to which it is not entitled. Similar findings were noted in the 2001-02, 2002-03, and 2003-04 fiscal year audit reports.

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**Recommendation:** The District should develop and implement procedures to reconcile the financial assistance records maintained at the PTECs to the accounting records at the District office on a timely basis. In addition, the District should reconcile its accounting records to the amounts reported in GAPS.

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District Contact Person: Jeff Tarrant, Financial Reporting Analyst

**Federal Awards Finding No. 4:****Federal Agency: United States Department of Education****Award Numbers: P063P042749 and P063P045378****Program: Federal Pell Grant Program (CFDA No. 84.063)****Finding Type: Noncompliance****Questioned Costs: N/A**

**Special Tests and Provisions - Post-Withdrawal Disbursements.** Title 34, Section 668.22, Code of Federal Regulations, requires institutions to determine whether Pell Grant funds were earned by students who withdrew. For those students who are determined to have earned Pell Grant funds in excess of Pell Grant funds that were disbursed to the student at the time of withdrawal, the difference must be treated as a post-withdrawal disbursement. The institution must offer to the student any amount of a post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of the institution's determination that the student withdrew. In addition, the institution must disburse the funds within 120 days of the date the institution determined the student withdrew. Our test of 19 students who withdrew from the PTECs disclosed that 7 students were not timely notified that they were entitled to post-withdrawal disbursements. These 7 students were notified from 5 to 189 days late. In addition, the post-withdrawal disbursement was disbursed 103 days late for one student. Similar findings were noted in the 2001-02, 2002-03, and 2003-04 fiscal year audit reports.

**Recommendation: The District should revise its procedures to ensure the timely notification and disbursement of post-withdrawal disbursements.**

District Contact Person: Warren Laux, Site Administrator

**PINELLAS COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2005**

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Cherry Bekaert & Holland, LLP June 30, 2004 04-01	Student Financial Assistance Cluster (CFDA Nos. 84.033 and 84.063) - Cash Receipts and Disbursements.	The District did not perform a reconciliation of Financial Aid cash receipts and disbursements.	Not Completed.	The District is working with the PTEC centers to develop procedures to reconcile the District records to PTEC records.
04-02	Student Financial Assistance Cluster - Federal Pell Grant Program (CFDA No. 84.063) - Special Tests and Provisions.	One student who withdrew was not timely notified of his or her post-withdrawal disbursement.	Not Corrected.	The District is currently developing procedures to correct the situation.
04-03	Student Financial Assistance Cluster (CFDA Nos. 84.033 and 84.063) - Special Tests and Provisions.	The District did not perform a reconciliation between the financial accounting records maintained at the District office and the financial assistance disbursement records maintained at the PTEC's. In addition, there was no reconciliation between the District and the GAPS and between the District and the cost reimbursement requests.	Not Completed.	The District is working with the two PTEC centers to finalize a procedure that will provide an accurate and useful reconciliation of Federal Student Aid expenditures. Variables such as: PTEC St. Petersburg being on a Federal reimbursement program, turnover in the Financial Aid office, and the contracting of a third party consultant (FAME), have made the task more challenging. However, with the cooperation of the PTEC staff, the District office staff and input from FAME, the District will have an accurate reconciliation process.
04-04	Student Financial Assistance Cluster - Federal Pell Grant Program (CFDA No. 84.063) - Internal Control.	The Pell Grant worksheet (an internal worksheet) includes a section for eligibility verification that includes the date verified and the initials of the individual that performed the verification. Four worksheets were noted that did not include the initials of the individual that performed the verification.	Corrected.	Both campuses are following their procedure for initialing verification worksheets.
04-05	Student Financial Assistance Cluster - Federal Pell Grant Program (CFDA No. 84.063) - Other Matters.	The District did not request reimbursement of funds disbursed to students attending the PTEC located in St. Petersburg during the period ended June 30, 2004, until October 2004.	Corrected.	PTEC St. Petersburg is no longer on Federal reimbursement. All requests for payment are being submitted.

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**MANAGEMENT RESPONSE**


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PINELLAS COUNTY  
SCHOOLS

[www.pinellas.k12.fl.us](http://www.pinellas.k12.fl.us)

ADMINISTRATION BUILDING  
301 Fourth St. SW  
PO. Box 2942  
Largo, FL 33779-2942  
(727) 586-1818  
FAX (727) 588-6202

School Board of  
Pinellas County,  
Florida

Chairperson  
Carol J. Cook

Vice Chairperson  
Mary L. Tyus Brown

Nancy N. Bostock  
Janet R. Clark  
Jane Gallucci  
Linda S. Lerner  
Mary L. Russell

Superintendent  
Dr. Clayton M. Wilcox

February 22, 2006  
William O. Monroe, CPA  
Auditor General  
106 South Hoover Blvd. Suite 1  
Tampa, Florida 33609

Dear Mr. Monroe:

The following are the District responses to the Preliminary and Tentative Audit Findings for fiscal year ended June 30, 2005.

1. **Cash Management:** The district will remit to FDOE the interest earnings stipulated. Additionally the district will develop procedures to ensure that interest earnings on cash advances are timely remitted to the FDOE, in accordance with federal regulations.
2. **Competitive Food Sales:** All Secondary Administrators will be required to implement the following corrective actions:
  - a. Relocate all school operated beverage vending machines to areas outside of the areas where school meals are served and eaten or install timers set to deny access during serving and eating times.
  - b. Shut off all school operated food vending machines until 1 hour after the last lunch or operate these machines in partnership with the District Food Service Department.
3. **Fiscal Administration** The District is working with the two PTEC centers to finalize a procedure that will provide an accurate and useful reconciliation of Federal Student Aid expenditures. Variables such as: PTEC St. Petersburg being on a Federal reimbursement program, turnover in the Financial Aid office, and the contracting of a third party consultant (FAME), have made the task more challenging. However, with the cooperation of the PTEC staff, the district office staff and input from FAME, we will have an accurate reconciliation process

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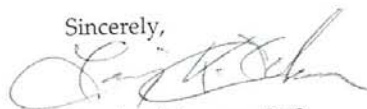
**MANAGEMENT RESPONSE (CONTINUED)**

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4. Post-Withdrawal Disbursements The district will implement procedures which will more accurately identify students that are entitled to a post withdrawal disbursement and ensure that the disbursement is issued in a more timely manner.

Sincerely,



Lansing Johansen, CBO  
Pinellas County School Board  
727-588-6318