

**DISTRICT SCHOOL BOARD
OF PINELLAS COUNTY, FLORIDA**

Year Ended June 30, 2009

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Table of Contents

	<u>Page</u>
Report of Independent Certified Public Accountants	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Assets	13
Statement of Activities.....	14
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Statement of Net Assets - Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	20
Statement of Cash Flows - Proprietary Fund	21
Statement of Fiduciary Assets and Liabilities.....	22
Notes to Financial Statements	23 - 43

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Table of Contents (continued)

	<u>Page</u>
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	44
Schedule of Funding Progress – Other Postemployment Benefits	45
<u>Other Supplementary Information</u>	
Schedule of Expenditures of Federal Awards	46 - 47
Notes to Schedule of Expenditures of Federal Awards.....	48
<u>Compliance and Single Audit</u>	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	49 - 50
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	51 - 52
Schedule of Findings and Questioned Costs	53 - 57
Summary Schedule of Prior Year’s Audit Findings – Federal Awards.....	58
Corrective Action Plan.....	59 - 60
Independent Auditors’ Management Letter	61 - 66



Report of Independent Certified Public Accountants

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for the District's discretely presented component units, is based on the reports of other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 12 and 44 through 45 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 consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the District's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2009 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Bekaert & Holland, L.L.P.

Tampa, Florida
March 22, 2010

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Management's Discussion and Analysis

June 30, 2009

The Management of the District School Board of Pinellas County (the District) has prepared the following discussion and analysis to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position; (d) identify significant changes 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) report is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the District's financial statements starting on page 13.

Financial Highlights

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

- In total, net assets increased \$61.2 million, which represents a 3.0 percent increase from 2007-08 fiscal year.
- General revenues total \$1.02 billion, or 92.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$84.2 million, or 7.7 percent.
- Expenses totaled \$1.04 billion; only \$84.2 million of these expenses were offset by program specific charges, with the remainder paid from general revenues.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriate by the Board, totaled \$52.9 million at June 30, 2009, or 6.3 percent of total General Fund expenditures.

Overview of the Financial Statements

The basic financial statements consist of three components:

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

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Management's Discussion and Analysis

June 30, 2009

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 is 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, and 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 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 are 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. Net assets is the difference between the assets and liabilities, which 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Management's Discussion and Analysis

June 30, 2009

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 eight separate legal entities in this report including Academie Da Vinci Charter School, Inc.; the Athenian Academy Charter School, Inc.; the Pinellas Preparatory Academy, Inc.; Plato Academy; Life Skills Center Pinellas County, Inc.; Life Skills Center – North Pinellas, Inc.; Alfred Adler Elementary School and Imagine School of St. Petersburg. Although legally separate organizations, the component units are included in this report because these entities meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for the 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 non financial 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 statement. 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. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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 balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Management's Discussion and Analysis

June 30, 2009

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Capital Projects – Capital Improvement Section 1011.71(2) Fund and the ARRA Economic Stimulus Fund.

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 Fund

Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains an internal service fund to account for its self-insurance programs, including workers compensation, general liability, and automobile insurance coverage. The District's internal service fund is included within governmental activities in the government-wide financial statements because services predominately benefit the District's governmental activities.

Fiduciary Funds

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

The District uses agency funds to account for resources held for student activities and groups.

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 indication of a government's financial position. The following is a summary of the District's net assets for the year ended June 30, 2009, compared to net assets as of June 30, 2008.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Management's Discussion and Analysis
June 30, 2009**

**Net Assets, End of Year
Governmental Activities**

	<u>06/30/2009</u>	<u>06/30/2008</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 488,292,256	\$ 531,828,850	\$ (43,536,594)	
Capital Assets, Net	<u>1,773,918,858</u>	<u>1,663,603,859</u>	<u>110,314,999</u>	
Total Assets	<u>2,262,211,114</u>	<u>2,195,432,709</u>	<u>66,778,405</u>	3.0%
Other Liabilities	116,002,957	106,648,613	9,354,344	
Long-term Liabilities	<u>157,754,485</u>	<u>161,551,671</u>	<u>(3,797,186)</u>	
Total Liabilities	<u>273,757,442</u>	<u>268,200,284</u>	<u>5,557,158</u>	2.1%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,721,208,315	1,609,333,842	111,874,473	
Restricted	311,880,228	351,766,597	(39,886,369)	
Unrestricted (Deficit)	<u>(44,634,872)</u>	<u>(33,868,014)</u>	<u>(10,766,858)</u>	
Total Net Assets	<u>\$1,988,453,671</u>	<u>\$1,927,232,425</u>	<u>\$ 61,221,246</u>	3.2%

The District's net assets increased \$61.2 million to \$1.99 billion. The District reported an unrestricted net asset deficit of \$44.6 million. This represents an increase in the net asset deficit of 2.86% from 2008.

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

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Management's Discussion and Analysis
June 30, 2009**

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

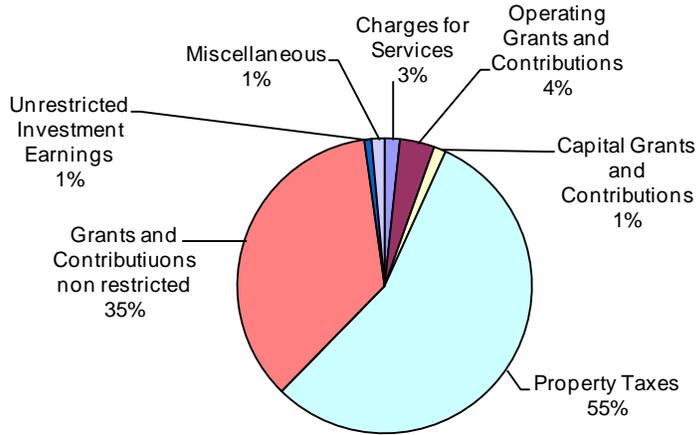
Operating Results for the Year Governmental Activities		
Revenue	2009	2008
Program Revenues:		
Charges for services	\$ 18,457,805	\$ 19,552,765
Operating grants and contributions	41,720,254	42,083,813
Capital grants and contributions	14,648,166	57,111,819
General Revenues:		
Property taxes	611,419,303	597,463,232
Grants and contributions not restricted to specific programs	390,482,449	451,055,804
Unrestricted Investment Earnings	8,724,869	21,424,248
Miscellaneous	15,666,450	9,680,773
Total Revenues	1,101,119,296	1,198,372,454
 Function/Program Expenses		
Instruction	581,928,848	593,834,888
Pupil personnel services	44,585,246	42,837,308
Instructional media services	13,162,730	13,877,692
Instruction and curriculum development services	20,091,721	28,502,279
Instructional staff training services	13,314,988	13,592,867
Instructional Technology	13,603,348	9,293,249
Board of Education	7,800,189	1,318,278
General administration	6,140,554	8,615,302
School administration	55,134,934	59,060,348
Facilities acquisition and construction	20,128,676	15,027,047
Fiscal services	4,470,250	4,512,420
Food services	37,661,119	38,532,769
Central services	12,577,654	13,827,263
Pupil transportation services	45,728,914	46,898,850
Operation of plant	83,895,325	84,266,631
Maintenance of plant	23,980,005	25,242,963
Administrative Technology Services	5,810,130	5,451,257
Community services	2,808,754	2,084,725
Interest on long-term debt	2,579,197	2,558,409
Net loss on sale of capital assets	3,151,330	871,662
Unallocated depreciation	41,344,138	38,050,584
Total Function/Program Expenses	1,039,898,050	1,048,256,791
 Increase in Net assets	61,221,246	150,115,663
 Net Assets Beginning	1,927,232,425	1,776,245,099
 Net Assets Ending	<u>\$1,988,453,671</u>	<u>\$1,926,360,762</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

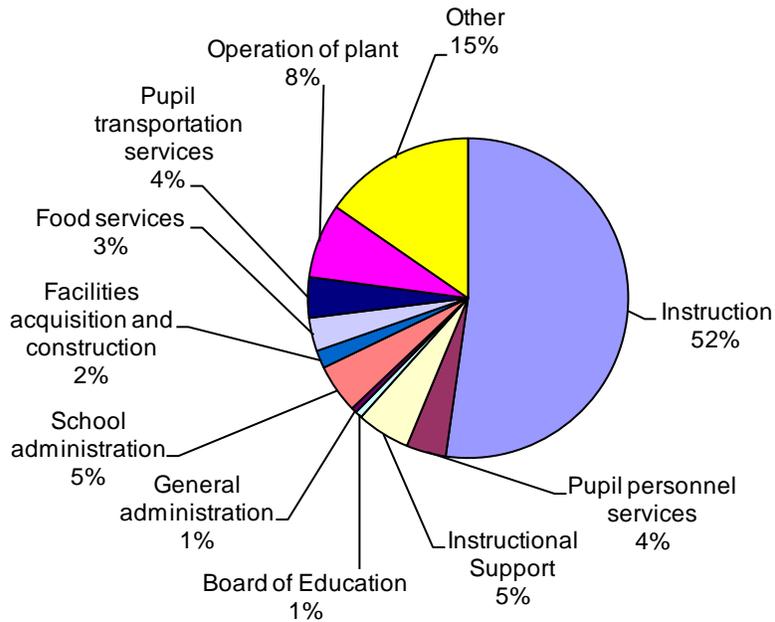
Management's Discussion and Analysis

June 30, 2009

**Revenue by Source – Governmental Activities
Period Ended June 30, 2009**



**Expenses by Source – Governmental Activities
Period Ended June 30, 2009**



DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Management's Discussion and Analysis

June 30, 2009

Financial Analysis of the District's Funds

Major Governmental Funds

The District completed the year with a total governmental fund balance of \$375.7 million, a decrease of \$52.2 million over the 2008-09 fund balance of \$427.9 million.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$52.9 million, while the total fund balance is \$69.3 million. The unreserved fund balance decreased by \$10.6 million, while the total fund balance decreased by \$11.8 million during the fiscal year.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$257.3 million, all of which is restricted for the acquisition, construction and maintenance of capital assets. The fund balance decreased by \$13.9 million in the current year.

Budget Variance in the General Fund

General Fund Budgetary Highlights

Original budgeted revenue was less than actual revenue by 2.2 percent. This change was due to a decrease in State revenue as a result of a general economic downturn. Appropriations experienced an increase from their original budget to the final budget. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Capital Assets and Long-Term Debt

Capital Assets

By the end of fiscal year 2009, the District had invested nearly \$1.8 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net increase of \$110.3 million from 2008. More detailed information concerning capital assets can be found in Note 6 to the financial statements. Accumulated depreciation on these assets totaled almost \$659.8 million.

- Asset acquisitions totaled \$262.1 million.
- The District acquired technology assets through capital lease totaling \$16.9 million.
- The District recognized depreciation expense of \$68.6 million for the year.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Management's Discussion and Analysis
June 30, 2009**

Capital Assets

	2009	2008
Land	\$ 96,518,549	\$ 97,492,052
Land Improvements -Nondepreciable	22,717,599	22,717,599
Construction in Progeress	75,001,775	78,815,522
Improvements Other than Building	6,433,818	4,687,388
Bulildings and Fixed Equipment	1,959,491,548	1,813,002,456
Furniture Fixtures and Equipment	139,121,923	148,884,551
Motor Vehicles	63,697,143	55,275,491
Property Under Capital Leases	55,875,622	38,976,402
Audio Visual and Computer Software	14,835,573	14,594,224
Total Capital Assets	2,433,693,550	2,274,445,685
Accumulated Depreciation	(659,774,692)	(610,841,826)
Total Net Capital Assets	\$ 1,773,918,858	\$ 1,663,603,859

Long-Term Debt and Other Noncurrent Liabilities

At June 30, 2009, the District had total long-term debt outstanding of \$185.5 million, a decrease of 2.0% from the prior year.

Outstanding Long-Term Obligations

	2009	2008	Percentage Change
General Obligation Debt	\$ 32,360,000	\$ 34,640,000	-6.6%
Compensated absences	109,548,276	110,677,254	-1.0%
Capital lease	20,350,543	19,630,017	3.7%
Insurance claims	18,488,653	20,154,490	-8.3%
Post employment Health Benefits	4,707,683	4,176,761	12.7%
Total	\$ 185,455,155	\$ 189,278,522	-2.0%

Other Matters of Significance

The District continues to face funding challenges. The District has elected to participate in the American Recovery and Reinvestment act (ARRA) in order to supplement declining revenues in 2009-10. As a result, the district will be receiving additional funding under ARRA as well as additional IDEA and Title I funding.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Management's Discussion and Analysis

June 30, 2009

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, 301 Fourth Street, SW, Largo, FL 33770.

Basic Financial Statements

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Net Assets
June 30, 2009**

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 14,277,011	\$ 2,037,094
Investments	419,976,745	-
Taxes receivable, net	327,147	-
Accounts receivable, net	5,576,969	94,288
Interest receivable	653,159	-
Deposits receivable	4,754	-
Due from other agencies	36,346,231	118,631
Prepaid expenses and other assets	5,822,505	302,614
Inventories	5,307,735	-
Total current assets	<u>488,292,256</u>	<u>2,552,627</u>
Noncurrent Assets:		
Capital assets:		
Nondepreciable capital assets	194,237,923	-
Depreciable capital assets, net	1,579,680,935	885,833
Total noncurrent assets	<u>1,773,918,858</u>	<u>885,833</u>
Total Assets	<u>2,262,211,114</u>	<u>3,438,460</u>
Liabilities		
Current Liabilities:		
Salaries and benefits payable	18,397,733	222,245
Payroll deductions and withholdings	30,494,119	-
Accounts payable	4,666,650	1,040,830
Construction contracts payable	24,873,708	-
Due to other agencies	9,297,211	508,380
Deferred revenue	572,866	67,349
Long Term Liabilities:		
Portion due within one year:		
Liability for compensated absences	9,147,235	-
Bonds payable	2,405,000	-
Estimated insurance claims payable	5,164,882	-
Notes payable	-	58,165
Obligations under capital leases	10,983,553	-
Total Current Liabilities	<u>116,002,957</u>	<u>1,896,969</u>
Noncurrent liabilities:		
Portion due after one year:		
Liability for compensated absences	100,401,041	-
Bonds payable	29,955,000	-
Notes payable	-	833,918
Estimated insurance claims payable	13,323,771	-
Obligations under capital leases	9,366,990	-
Postemployment benefits payable	4,707,683	-
Total Noncurrent Liabilities	<u>157,754,485</u>	<u>833,918</u>
Total Liabilities	<u>273,757,442</u>	<u>2,730,887</u>
Net assets		
Invested in capital assets, net of related debt	1,721,208,315	568,355
Restricted for:		
State categorical programs	4,293,524	-
Debt service	1,096,917	-
Capital projects	295,055,025	-
Endowment-nonexpendable	151,859	-
Other purposes	11,282,903	243,433
Unrestricted	(44,634,872)	(104,215)
Total Net Assets	<u>\$ 1,988,453,671</u>	<u>\$ 707,573</u>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Balance Sheet
Governmental Funds
June 30, 2009**

	General	Capital Improvement Section 1011.71(2) Fund	ARRA Economic Stimulus Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,967,601	\$ 5,015,769	\$ -	\$ 250,849	\$ 14,234,219
Investments	80,806,586	279,566,535	-	38,910,078	399,283,199
Taxes receivable, net	249,045	78,102	-	-	327,147
Accounts receivable, net	1,455,742	-	-	3,037,745	4,493,487
Interest receivable	263,119	336,443	-	29,936	629,498
Deposits receivable	4,754	-	-	-	4,754
Due from other funds	48,160,943	6,314,264	80,761	963,164	55,519,132
Due from other agencies	864,336	50,317	324,438	35,107,140	36,346,231
Prepaid expenses and other assets	5,822,483	-	-	-	5,822,483
Inventories	4,328,021	-	-	979,736	5,307,757
Total Assets	\$ 150,922,630	\$ 291,361,430	\$ 405,199	\$ 79,278,648	\$ 521,967,907
Liabilities and Fund Balances					
Liabilities:					
Salaries and benefits payable	\$ 18,397,733	\$ -	\$ -	\$ -	\$ 18,397,733
Payroll deductions and withholdings	28,016,315	-	3,763	2,473,041	30,493,119
Accounts payable	2,951,660	897,164	211,938	749,979	4,810,741
Construction contracts payable	621	16,617,918	-	8,255,169	24,873,708
Due to other funds	23,828,841	16,571,813	184,389	17,250,578	57,835,621
Due to other agencies	8,416,327	-	5,109	862,149	9,283,585
Deferred revenue	324	-	-	572,542	572,866
Total Liabilities	81,611,821	34,086,895	405,199	30,163,458	146,267,373
Fund balances:					
Reserved:					
State categorical programs	4,293,524	-	-	-	4,293,524
Encumbrances	7,818,937	139,565,699	-	22,777,023	170,161,659
Inventories	4,328,021	-	-	979,714	5,307,735
Unreserved:					
General fund	52,870,327	-	-	-	52,870,327
Special revenue funds	-	-	-	9,376,422	9,376,422
Debt service funds	-	-	-	1,096,917	1,096,917
Capital project funds	-	117,708,836	-	14,733,255	132,442,091
Permanent funds	-	-	-	151,859	151,859
Total Fund Balances	69,310,809	257,274,535	-	49,115,190	375,700,534
Total Liabilities and Fund Balances	\$ 150,922,630	\$ 291,361,430	\$ 405,199	\$ 79,278,648	\$ 521,967,907

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2009**

Total Fund Balance - Governmental Funds \$ 375,700,534

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 governmental funds.

Governmental capital assets	\$ 2,433,693,550	
Less: accumulated depreciation	<u>(659,774,692)</u>	
		1,773,918,858

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.

5,800,781

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

Compensated absences payable	\$ (109,548,276)	
Bonds payable	(32,360,000)	
Postemployment benefits payable	(4,707,683)	
Obligations under capital leases	<u>(20,350,543)</u>	<u>(166,966,502)</u>

Total Net Assets - Governmental Activities \$ 1,988,453,671

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009**

	General	Capital Improvement Section 1011.71(2) Fund	ARRA Economic Stimulus Funds	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal direct	\$ 326,216	\$ -	\$ -	\$ 3,557,473	\$ 3,883,689
Federal through state	2,293,472	-	324,438	94,482,378	97,100,288
State sources	322,623,541	-	-	15,266,279	337,889,820
Local sources	496,019,346	137,814,729	-	18,005,221	651,839,296
Total Revenues	<u>821,262,575</u>	<u>137,814,729</u>	<u>324,438</u>	<u>131,311,351</u>	<u>1,090,713,093</u>
Expenditures					
Current:					
Instruction	539,574,041	-	265,804	38,544,660	578,384,505
Pupil personnel services	34,869,270	-	6,176	9,692,201	44,567,647
Instructional media services	12,712,332	-	-	353,557	13,065,889
Instruction and curriculum development services	9,082,615	-	-	10,830,208	19,912,823
Instructional staff training services	3,374,653	-	-	9,870,266	13,244,919
Instruction related technology	2,825,343	-	-	105,625	2,930,968
Board of education	1,770,534	-	-	-	1,770,534
General administration	3,940,310	-	-	2,109,928	6,050,238
School administration	54,974,915	-	-	171,122	55,146,037
Facilities acquisition and construction	721,098	272,093	-	92,837	1,086,028
Fiscal services	4,408,983	-	-	43,854	4,452,837
Food services	220,580	-	-	37,075,448	37,296,028
Central services	11,927,641	-	-	569,160	12,496,801
Pupil transportation services	45,425,870	-	-	58,742	45,484,612
Operation of plant	83,718,459	-	-	137,586	83,856,045
Maintenance of plant	23,896,682	-	-	-	23,896,682
Administrative technology services	5,766,527	-	-	36,433	5,802,960
Community services	1,135,732	-	-	1,653,181	2,788,913
Capital outlay:					
Facilities acquisition and construction	184,498	141,637,426	-	43,292,304	185,114,228
Other capital outlay	3,654,545	-	52,458	1,751,780	5,458,783
Debt service:					
Principal	779,520	15,327,398	-	2,285,000	18,391,918
Interest and fees	93,082	742,594	-	1,738,521	2,574,197
Total Expenditures	<u>845,057,230</u>	<u>157,979,511</u>	<u>324,438</u>	<u>160,412,413</u>	<u>1,163,773,592</u>
(Deficiency) of Revenues over Expenditures	<u>(23,794,655)</u>	<u>(20,164,782)</u>	<u>-</u>	<u>(29,101,062)</u>	<u>(73,060,499)</u>
Other Financing Sources (Uses)					
Proceeds from the sale of capital assets	-	-	-	3,645,000	3,645,000
Insurance loss recoveries	252,571	-	-	-	252,571
Obligations under capital leases	589,930	16,309,291	-	-	16,899,221
Transfers in	12,953,457	1,819,909	-	-	14,773,366
Transfers out	(1,819,909)	(11,909,009)	-	(1,044,448)	(14,773,366)
Total Other Financing Sources (Uses)	<u>11,976,049</u>	<u>6,220,191</u>	<u>-</u>	<u>2,600,552</u>	<u>20,796,792</u>
Net Change in Fund Balances	<u>(11,818,606)</u>	<u>(13,944,591)</u>	<u>-</u>	<u>(26,500,510)</u>	<u>(52,263,707)</u>
Fund balances - July 1, 2008	81,129,415	271,219,126	-	75,615,700	427,964,241
Fund balances - June 30, 2009	<u>\$ 69,310,809</u>	<u>\$ 257,274,535</u>	<u>\$ -</u>	<u>\$ 49,115,190</u>	<u>\$ 375,700,534</u>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2009**

Net change in Fund Balances - Governmental Funds \$ (52,263,707)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are 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. 113,466,329

A net loss on disposal of capital assets during the current period was reported in the statement of activities. In the governmental funds, the costs 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. (3,151,330)

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. 18,458,695

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. 1,128,977

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service funds was reported with governmental activities. 1,012,424

The net change in the liability for postemployment health care benefits is reported in the government-wide statements, but not in the governmental fund statements. (530,922)

Certain capital assets acquired during the current period were financed with capital leases. The capital leases were reported in the governmental funds as a source of funding. However, in the statement of net assets the capital leases were recorded as a long term liability. (16,899,220)

Change in Net Assets of Governmental Activities \$ 61,221,246

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Net Assets
Proprietary Fund
June 30, 2009**

	Governmental Activities – Internal Service Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 42,792
Investments	20,693,546
Accounts receivable	640,636
Due from other funds	3,013,819
	<hr/>
Total Assets	\$ 24,390,793
	<hr/> <hr/>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 99,418
Due to other funds	1,941
Insurance claims payable	5,164,882
Total Current Liabilities	5,266,241
	<hr/>
Noncurrent Liabilities:	
Insurance claims payable	13,323,771
	<hr/>
Total Liabilities	18,590,012
	<hr/>
Net Assets	
Unrestricted	5,800,781
	<hr/>
Total Liabilities and Net Assets	\$ 24,390,793
	<hr/> <hr/>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2009**

	Governmental Activities – Internal Service Fund
Operating revenues	
Premium revenues	\$ 6,133,135
Operating expenses	
Insurance claims	5,496,207
Operating Income	<u>636,928</u>
Nonoperating revenues	
Interest	375,496
Change in net assets	1,012,424
Total Net Assets - July 1, 2008	<u>4,788,357</u>
Total Net Assets - June 30, 2009	<u><u>\$ 5,800,781</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2009**

	Governmental Activities – Internal Service Fund
	<hr/>
Cash Flows from Operating Activities	
Cash received from General and other funds	\$ 5,969,216
Cash payments for insurance claims and fees	(7,319,762)
Other cash payments	(866,343)
Net cash used by operating activities	<hr/> (2,216,889) <hr/>
Cash Flows from Investing Activities	
Proceeds from the sale and maturities of investments	5,294,667
Interest and dividend received	375,496
Purchase of investments	(3,613,107)
Net cash provided by investing activities	<hr/> 2,057,056 <hr/>
Net decrease in cash and cash equivalents	(159,833)
Cash and cash equivalents, beginning of year	<hr/> 202,625 <hr/>
Cash and cash equivalents, end of year	\$ 42,792 <hr/> <hr/>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	<hr/> \$ 636,928 <hr/>
Adjustments to reconcile operating income to net cash used by operating activities:	
Change in assets and liabilities	
Increase in accounts receivable	(203,290)
Decrease in interest receivable	39,372
Increase in due from other funds	(865,694)
Decrease in accounts payable	(157,716)
Decrease in due to other funds	(650)
Decrease in insurance claims payable	(1,665,839)
Total Adjustments	<hr/> (2,853,817) <hr/>
Net Cash used by Operating Activities	<hr/> \$ (2,216,889) <hr/> <hr/>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009**

	<u>Agency Funds</u>		
	<u>School Internal Funds (unaudited)</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ 6,645,273	\$ -	\$ 6,645,273
Investments	-	1,870	1,870
Due from other agencies	505,120	-	505,120
Interest receivable	-	27	27
Due from other funds	58,922	26,593	85,515
Total Assets	<u>\$ 7,209,315</u>	<u>\$ 28,490</u>	<u>\$ 7,237,805</u>
Liabilities			
Accounts payable	\$ 46,286	\$ 26,700	\$ 72,986
Due to other funds	779,114	1,790	780,904
Due to other agencies	6,383,915	-	6,383,915
Total Liabilities	<u>\$ 7,209,315</u>	<u>\$ 28,490</u>	<u>\$ 7,237,805</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies

Reporting Entity - The District School Board of Pinellas, Florida (the District) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida System of Public Education. The governing body of the District is the Pinellas District School Board (the School Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. The general operating authority of the School Board and Superintendent is contained in Chapters 1000 through 1013 of the Florida Statutes. Geographic boundaries of the District correspond with those of Pinellas County.

Pursuant to Section 1010.01, the financial records and accounts of each school district, under the supervision of the State Board of Education, shall be prepared and maintained as prescribed by law and rules of the State Board of Education

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 provide for identification of any entities for which the District 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's reporting entity.

Discretely Presented Component Units - The component unit columns in the basic financial statements include the financial data of the District's component units. These component units consist of the following Charter Schools: Academie Da Vinci Charter School, Inc.; the Athenian Academy Charter School, Inc.; the Pinellas Preparatory Academy, Inc.; Plato Academy; Life Skills Center Pinellas County, Inc.; Life Skills Center – North Pinellas, Inc.; Adlerian School Association, Inc.; and Imagine School of St. Petersburg.

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. Audits of the financial statements for the Charter Schools were conducted by independent certified public accountants and are filed in the District's administrative offices.

The Pinellas County 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 relationship between the Foundation and the District no longer meets the aforementioned criteria that would require the inclusion of Foundation in these financial statements – see Note 21.

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies (continued)

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 expense is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function 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. Non major funds are aggregated and reported in a separate 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 - Capital Improvement Section 1011.71(2) Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.
- ARRA Economic Stimulus Fund – to account for funds received under the American Recovery and Reinvestment Act (ARRA) that are used for specific purposes.

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 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. The principal operating revenues of the District's internal service fund are charges for workers' compensation, general liability, and automobile insurance claims. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and 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 government activities.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies (continued)

Deposit 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 of cash are held in three separate banks, a money market account consisting of three separate money market funds, and the District's custody account, which is also swept into a fourth money market fund. These funds are reported at amortized cost. The reported value of the pool is the same as the fair value of the pool shares.

Investments also include amounts in the State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pools created by Section 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund (Fund B).

The local investments operate under the guidelines established by Section 218.415, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Funds, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B are accounted for as a fluctuating net asset value pool with a fair value factor of 0.51370946 at June 30, 2009. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Investments made locally consist of obligations of United States Government Agencies and Instrumentalities, domestic bonds and notes, commercial paper, bond mutual funds, and money market mutual funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

Accounts Receivable - The District believes that all receivables balances are collectible.

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 the United States Department of Agriculture surplus commodities are stated at their fair value, as determined at the time of donation to the District's food service program by the Florida Department of Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used, rather than when purchased.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements other than buildings	15 years
Buildings and fixed equipment	20 - 50 years
Furniture, fixtures and equipment	5 - 20 years
Motor vehicles	5 - 12 years
Audio visual materials and computer software	5 - 10 years
Property under capital leases	3 - 12 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 portion of compensated absences expected to be paid using expendable available resources.

Changes in long-term debt 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 Board 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's 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 1 – Summary of Significant Accounting Policies (continued)

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these 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 for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (PECO) 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 Classrooms For Kids). The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay as deferred revenue until such time as an encumbrance authorization is received.

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 are collected by the Pinellas County Tax Collector.

The School Board adopted the 2009 tax levy in September 2008. Tax bills are mailed in October, and taxes are payable between November 1 of the year assessed and March 31 of the following year, at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the School Board adopts the tax levy. Property tax revenues are recognized in the governmental financial statements when the District receives taxes, 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. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 2 – Budgetary Compliance and Accountability

Budgetary Information - The District 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 major 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, except no budget appropriation is made for capital leases in the year of inception.

Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

Use of Estimates - The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 3 – Investments

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

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturity Groupings</u>				
		<u>6 months or less</u>	<u>Greater than 6 months to 2 years</u>	<u>Greater than 2 years to 4 years</u>	<u>Greater than 4 years to 6 years</u>	<u>Greater than 6 years</u>
First American Prime Obligation Fund	87,374,933	87,374,933	\$ -	\$ -	\$ -	\$ -
Morgan Stanley Prime Portfolio	1,686,086	1,686,086	-	-	-	-
SBA Local Govt Investment Pool	29,955	29,955	-	-	-	-
SBA Fund B	1,116,789	-	-	-	-	1,116,789
Core Fund Short Term United States Government Bond Fund	35,693,082	-	35,693,082	-	-	-
Non US Government/GSE Investments:						
Corporate Asset Backed Securities	72,009,038	62,118,119	7,530,919	2,360,000	-	-
Obligations of United States Government Agencies and Instrumentalities:						
Federal Agency Securities	6,015,649	-	-	6,015,649	-	-
Federal Home Loan Mortgage Corporation Bond	28,005,320	28,005,320	-	-	-	-
Collateralized Mortgage Obligations Corporate Bonds	52,675,151	10,909,071	17,502,650	19,880,069	4,383,361	-
Collateralized Mortgage Obligations - Floating Rate	<u>135,370,740</u>	<u>18,161,417</u>	<u>-</u>	<u>61,053,380</u>	<u>56,155,943</u>	<u>-</u>
Total Investments						
Primary Government	<u>\$ 419,976,745</u>	<u>\$ 208,284,902</u>	<u>\$ 60,726,651</u>	<u>\$ 89,309,098</u>	<u>\$ 60,539,304</u>	<u>\$ 1,116,789</u>

Interest Rate Risk –

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District’s investment policy states that the weighted average duration of the investment portfolio shall not exceed five years.
- 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 3 – Investments (continued)

Credit Risk – District policies for investments in:

- Direct obligations of the United States Treasury and obligations of Federal agencies, government sponsored enterprises and instrumentalities. The District's investments in obligations of United States Government Agencies and Instrumentalities totaling \$222,066,860 are reported at fair market value. These investments were rated AAA by Standard and Poor's and Aaa by Moody's Investor Services. The collateralized mortgage obligations, mortgage-backed securities, and bonds and notes were unrated.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. As of June 30, 2009, the District had investments in the First American Prime Obligation Fund and Morgan Stanley Prime Portfolio Money Market fund with a fair value of \$89,061,019. All funds are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.
- Securities of an 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 \$35,693,082 in the Core Fund at June 30, 2009. The Core Fund is a short-term U.S. government bond fund. This fund was rated AAA+ by Standard and Poor's.
- The District's non-governmental investments consisting of corporate asset back securities are recorded at fair value of \$72,009,038. All funds are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services with the exception of three investments which had a fair value of \$7,944,963 at June 30, 2009 and were rated BAA2 by Moody's Investor Services.
- As of June 30, 2009 the District's investments in the Local Government Surplus Trust Fund Investment Pool is AAAm by Standard and Pooers. The District also has \$1,116,789 in Fund B, which is unrated.

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 investment policy addresses custodial use in that all securities shall be properly designated as an asset of the School Board of Pinellas County, Florida and held in safe keeping by a third party custodian.
- The District's investments totaling \$293,696,606 in obligations of United States Government Agencies and Instrumentalities and domestic bonds and notes are held by the District's custodial agent in the name of the District.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 3 – Investments (continued)

Concentrations of Credit Risk – The District investment policy does not limit the amount the District may invest in any one issuer.

Foreign Currency Risk – The District has no investments which are exposed to foreign currency risk at June 30, 2009.

Note 4 – Interfund Receivables, Payables, and Transfers

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 48,160,943	\$ 23,828,841
Capital Projects:		
Capital Improvement Section 1011.71(2)	6,314,264	16,571,813
Arra - Economic Stimulus Funds	80,761	184,389
Nonmajor Governmental Funds	963,164	17,250,578
Internal Service Funds	3,013,819	1,941
Fiduciary Funds	85,515	780,904
	<u>\$ 58,618,466</u>	<u>\$ 58,618,466</u>

Interfund balances are a result of: June charges for warehouse deliveries, central printing services and maintenance work orders; adjustment of self insurance reserves; capital outlay transfers to the general fund; reclassifications of expenditures between capital project funds; and short term cash flow borrowing. All balances are expected to be repaid within one year.

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

	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 12,953,457	\$ 1,819,909
Capital Projects:		
Capital Improvement Section 1011.71(2)	1,819,909	3,691,127
Capital Improvement Section 1011.71(2) for 2 mill relief	-	8,217,882
Other Governmental Funds	-	1,044,448
	<u>\$ 14,773,366</u>	<u>\$ 14,773,366</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 4 – Interfund Receivables, Payables, and Transfers (continued)

The \$3,691,127 transfer made from the Capital Improvement Section 1011.71(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund. The \$8,217,882 transfer made from the Capital Improvement Section 1011.71(2) Fund was to cover property liability insurance expenditures that were incurred in the General Fund. The \$1,044,448 transfer from the Other Capital Projects Fund to the General Fund was to cover capital outlay disbursements to the charter schools.

Note 5 – Property Taxes

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-2009 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.172	\$ 404,817,711
Basic Discretionary Local Effort	0.498	38,978,967
Supplement Discretionary Operating Local Effort	0.141	11,036,215
Voted School Tax		
Local Referendum	0.500	39,135,509
Total General Fund:	<u>6.311</u>	<u>493,968,402</u>
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	1.750	136,974,283
Total General and Capital Funds:	<u><u>8.061</u></u>	<u><u>\$ 630,942,685</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 6 – Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 97,492,052	\$ 366,497	\$ 1,340,000	\$ 96,518,549
Land Improvements - Non-depreciable	22,717,599	-	-	22,717,599
Construction in Progress	78,815,522	72,666,620	76,480,367	75,001,775
Total Capital Assets Not Being Depreciated	199,025,173	73,033,117	77,820,367	194,237,923
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	1,813,002,456	146,489,092	-	1,959,491,548
Improvements other than Building	4,687,388	1,746,430	-	6,433,818
Furniture, Fixtures and Equipment	148,884,551	13,327,435	23,090,063	139,121,923
Motor Vehicles	55,275,491	9,291,309	869,657	63,697,143
Property Under Capital Lease	38,976,402	16,899,220	-	55,875,622
Audio Visual and Computer Software	14,594,224	1,393,232	1,151,883	14,835,573
Total Capital Assets Being Depreciated	2,075,420,512	189,146,718	25,111,603	2,239,455,627
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	450,727,741	39,102,203	-	489,829,944
Furniture, Fixtures and Equipment	103,440,477	12,204,351	18,494,120	97,150,708
Improvements other than Building	455,653	428,921	-	884,574
Motor Vehicles	31,770,615	4,078,700	1,161,153	34,688,162
Property Under Capital Lease	13,903,929	10,897,811	-	24,801,740
Audio Visual and Computer Software	10,543,411	1,876,153	-	12,419,564
Total Accumulated Depreciation	610,841,826	68,588,139	19,655,273	659,774,692
Total Capital Assets Being Depreciated, Net	1,464,578,686	120,558,579	5,456,330	1,579,680,935
Governmental Activities Capital Assets, Net	\$ 1,663,603,859	\$ 193,591,696	\$ 83,276,697	\$ 1,773,918,858

The classes of property under capital leases are presented in Note 7.

During year ended June 30, 2009, the District closed three schools due to declining enrollment which had a total cost of approximately \$1.6 million for land, \$12 million for buildings less depreciation of \$5.9 million.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2009

Note 6 – Changes in Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Instruction	\$ 4,895,562
Pupil personnel services	80,950
Instructional media services	114,082
Instruction and curriculum development services	204,602
Instructional staff training	86,298
Instruction related technology	10,675,583
Board of Education	4,020
General administration	95,363
School administration	65,585
Facilities acquisition and construction	9,935,094
Fiscal services	23,240
Food service	461,415
Central services	94,746
Pupil transportation services	292,251
Operation of plant	86,250
Maintenance of plant	95,038
Administrative technology	13,435
Community of services	20,487
Unallocated	<u>41,344,138</u>
Total depreciation expense - governmental activities	<u><u>\$ 68,588,139</u></u>

Note 7 – Obligations under Capital Leases

The assets acquired through capital lease for governmental activities were for buses of \$3,112,850 and for technology in the amount of \$52,822,772.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 12,013,210	\$ 10,983,553	\$ 1,029,657
2011	7,065,993	6,566,293	499,700
2012	2,643,570	2,499,659	143,911
2013	310,352	301,038	9,314
	<u><u>\$ 22,033,125</u></u>	<u><u>\$ 20,350,543</u></u>	<u><u>\$ 1,682,582</u></u>

The imputed interest rate is 3.43% on the bus leases and 4.04% to 7.69% on the technology.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 8 – Bonds Payable

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

	<u>Amount</u>	<u>Interest Rates</u>	<u>Maturity</u>
State School Bonds:			
Series 2000-A	\$ 2,180,000	5.00-5.125%	2020
Series 2001-A	290,000	4.20-5.00%	2021
Series 2005-B	<u>29,890,000</u>	5.00%	2020
Total Bonds Payable	<u><u>\$ 32,360,000</u></u>		

The bonds are issued by the State Board of Education (SBE) on behalf of the District to finance capital outlay projects. 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 SBE and the State Board of Administration.

Annual requirements to amortize the bond debt outstanding as of June 30 are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,024,700	\$ 2,405,000	\$ 1,619,700
2011	4,027,138	2,530,000	1,497,138
2012	4,020,919	2,650,000	1,370,919
2013	4,018,594	2,780,000	1,238,594
2014	4,009,688	2,910,000	1,099,688
2015-2019	19,204,475	16,035,000	3,169,475
2020-2024	<u>3,203,250</u>	<u>3,050,000</u>	<u>153,250</u>
	<u><u>\$ 42,508,763</u></u>	<u><u>\$ 32,360,000</u></u>	<u><u>\$ 10,148,763</u></u>

Note 9 – Defeased Debt

In prior years, portions of the State School Bonds, Series 2000-A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for future debt service payments on the old State School Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2009, State School Bonds, Series 2000A, totaling \$30,400,000 are considered defeased in substance.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 10 – Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Activities:					
Compensated absences payable	\$ 110,677,253	\$ 8,018,258	\$ 9,147,235	\$ 109,548,276	\$ 9,147,235
Estimated insurance claims payable	20,154,490	3,374,711	5,040,548	18,488,653	5,164,882
Bonds payable	34,640,000	-	2,280,000	32,360,000	2,405,000
Postemployment benefits payable	4,176,761	4,585,866	4,054,944	4,707,683	-
Obligations under capital leases	19,630,017	16,899,221	16,178,695	20,350,543	10,983,553
Total	<u>\$ 189,278,521</u>	<u>\$ 32,878,056</u>	<u>\$ 36,701,422</u>	<u>\$ 185,455,155</u>	<u>\$ 27,700,670</u>

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

Note 11 – Reserve for Encumbrances

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

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 12 – Schedule of State Revenue Sources

The District's State revenue for the year ended June 30, 2009 follows:

Florida Education Finance Program	\$ 140,361,817
Categorical Educational Program:	
Instructional materials	10,298,936
Student transportation	18,727,481
Excellent teacher	3,935,132
Workforce development program	25,868,423
Class Size Reduction	110,007,699
Gross receipts tax (Public Education Capital Outlay)	8,803,129
Florida school recognition program	4,559,942
District discretionary lottery funds	2,658,281
Motor vehicle license tax (Capital outlay and Debt Service)	4,577,339
Mobile home license tax	573,046
Adults with disabilities	472,747
Florida teachers lead program	1,476,332
Food service supplement	564,370
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	1,044,448
Voluntary Pre-K	1,567,445
Miscellaneous	2,170,003
	<u>\$ 337,889,820</u>

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

Note 13 - State Retirement Program

Plan Description – All regular employees of the District are covered by the Florida Retirement System, a State administered cost-sharing multiple-employer defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are described in detail.

Essentially, all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at specified numbers of years of service depending upon the employee's classification. Generally, members are eligible for normal retirement benefits at age 62 with six years of service or at any age after 30 years of service. For normal retirement, benefit payments are based on the member's highest five-year average annual salary (average final compensation) times the number of years of service, multiplied by a percentage ranging from 1.60 percent at either 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Members are eligible for early retirement after six years of service but before age 62; however, normal benefits are reduced by five percent for each year a member retires before age 67.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2009

Note 13 - State Retirement Program

A Deferred Retirement Option Program (DROP) was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with a Florida Retirement system employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

Funding Policy – The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2008-09 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer*</u>
Florida Retirement System:		
Regular	0.00	9.85
County Elected Officers	0.00	16.53
Senior Management Service Class	0.00	13.12
Special Risk	0.00	20.92
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees'		
Retirement System, Plan B	4.00	9.10
Florida Retirement System, Reemployed Retiree	6.25	9.85

* Employer rates include the post-retirement health insurance supplements of 1.11% and 0.05% administrative educational fee.

The District's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan (including employee contributions) for the fiscal years ending June 30, 2007, 2008, and 2009 totaled \$57,549,506, \$53,807,215 and \$57,381,075 respectively, which were equal to the required contributions for each fiscal year.

The Plan's financial statements and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 14 – Tax Deferral Plans and Other Benefits

The District allows employees to participate in a 401(a) qualified retirement plan. Participation is required for employees that are retiring, terminating or entering DROP and have accumulated at least \$2,500 of eligible terminal leave benefits. Contributions to the plan are made on a pre-tax basis. The maximum plan contribution cannot exceed 100% of plan year compensation or \$49,000, whichever is less. Federal income taxes on this compensation are deferred until distributions are taken. Employee contributions to the plan were \$8,947,456 for the period ended June 30, 2009.

The District offers eligible employees participation in an optional tax deferred annuity and 457 program. The Internal Revenue Service, under code section 403(b), allows employees of School Boards to defer a portion of their income from federal income tax. The deferred earnings are placed in an investment vehicle selected by the employee, with the principal and interest tax deferred until withdrawn. The contributions for the tax deferred annuity 403(b) and 457 for the fiscal year ended June 30, 2008 were \$14,609,655 and \$3,123,8371 respectively. In addition, the district has available a Roth 403(b) that employees may elect. Contributions to the Roth 403(b) totaled \$704,785 for 2009.

The District makes contributions to employee's health insurance payments based upon elected coverage. The total amount contributed on behalf of the employees, for the year ended June 30, 2009 was \$85,578,744.

Note 15 – Construction Contract Commitments

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

<u>Project</u>	<u>Contract Amount</u>	<u>Completed To Date</u>	<u>Balance Committed</u>
Curtis Fundamental			
General Contractor	\$ 16,106,740	\$ 15,331,947	\$ 774,793
Architect	1,176,669	1,174,169	2,500
Total	<u>\$ 17,283,409</u>	<u>\$ 16,506,116</u>	<u>\$ 777,293</u>

Note 16 – Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, students, or visitors; and natural disasters.

The District partners with an insurance broker to obtain insurance coverage for losses that are not appropriate for the District to fully retain as self-insured exposures. The insurance purchased provides coverage for losses in excess of the workers' compensation, liability and property deductibles as well as coverage, subject to a deductible, for other losses which may occur from employment practices, errors and omissions and employee dishonesty, etc. This insurance protection limits the District's risk and financial exposure and provides protection from lawsuits.

The District contracts with a third party administrator that adjusts workers compensation and liability claims, subrogates claims, represents the District in mediations and assists attorneys with litigation.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 16 – Risk Management Programs (continued)

At June 30, 2009, a liability of \$18,488,653 was recorded for estimated insurance claims payable for claims incurred but not reported for worker’s compensation, general liability and vehicle liability. The estimated insurance claims payable was recorded using the gross method which was actuarially determined.

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

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year</u>
2008	\$ 22,621,480	\$ 2,401,792	\$ (4,868,782)	\$ 20,154,490
2009	\$ 20,154,490	\$ 3,374,711	\$ (5,040,548)	\$ 18,488,653

Property protection, boiler and machinery, errors and omissions, employment practices liabilities, employee dishonesty, and other coverage’s deemed necessary by the Board are provided through purchased commercial insurance with deductibles for each line of coverage. In addition, health, dental, life and income protection coverage for District employees were offered through purchased commercial insurance.

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

Note 17 – Post Employment Health Care Benefits

Plan Description – The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District’s fully insured group health plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Health Care Benefits Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System (PERS) or another entity.

Funding Policy – For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through action from the Board. The District has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. The District provided required contributions of \$4,054,944 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions totaling \$5,910,380. Required contributions are based on projected pay-as-you-go financing.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2009

Note 17 – Post Employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District’s annual OPEB cost for the year, the amount actually contributed and the changes in the District’s net OPEB obligation.

Descriptions	Year Ended June 30, 2009
Annual required contribution (ARC)	\$ 4,567,969
Interest on net OPEB obligation	167,070
Amortization of net OPEB obligation	(149,173)
Annual OPEB cost	4,585,866
Contribution toward OPEB cost	(4,054,944)
Increase in net OPEB obligation	530,922
Net OPEB obligation - Beginning of year	4,176,761
Net OPEB obligation - End of year	<u>\$ 4,707,683</u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2008	\$6,880,682	39.3%	\$4,176,761
2009	\$4,585,866	88.4%	\$4,707,683

Funded Status and Funding Progress – As of June 30, 2009, the actuarial accrued liability for benefits was \$43,091,189, all of which is unfunded. The covered payroll (annual payroll for active participating employees) was \$602,033,272 for the fiscal year 2008-09, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.2%. The actuarial accrued liability decreased from \$66,384,568 at June 30, 2008 to \$43,091,189 at June 30, 2009 primarily due to the elimination of a the Premium HMO medical plan for post-Medicare eligible retirees and a change in the assumed participation rates of Medicare eligible retirees from 10% to 3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment and termination, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2009**

Note 17 – Post Employment Health Care Benefits (continued)

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The District's OPEB actuarial valuation as of September 4, 2009, used the entry age actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included a salary scale of 4.5% per year, payroll growth rate of 3.5% per year, and an annual healthcare cost trend rate of 10.5% for the 2008-09 fiscal year, reduced by 1% per year, to an ultimate rate of 5.5% for the year ending June 30, 2014. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a thirty year period. The remaining amortization period at June 30, 2009, was 28 years.

Note 18 – Litigation

The District is a party to several lawsuits and claims, which it is vigorously defending. Such matters arise out of the normal course of its operation, some of which are covered by insurance policies. While the results of litigation cannot be predicted with certainty, management believes the final outcome of such litigation will not have a material adverse effect on the District's financial position.

Note 19 – Grants and Contracts

The District participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the District.

Note 20 – Subsequent Events

In October 2010 the District issued \$60 million of Tax Anticipation Notes for the purpose of temporarily financing part of the District's operating costs.

Note 21 – Change in Component Unit Reporting Entity

The Pinellas County 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 was previously reported as a discretely presented component unit in the District financial statements in prior years. The relationship between the Foundation and the District no longer meets the criteria that would require the inclusion of Foundation in these financial statements as a discretely presented component unit. As a result the Statement of Activities includes a \$32,820,125 reduction in the component unit net assets as July 1, 2008.

Required Supplementary Information

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal direct	\$ 185,000	\$ 326,215	\$ 326,216	\$ 1
Federal through state	2,000,000	2,293,472	2,293,472	-
State sources	345,538,108	322,623,539	322,623,541	2
Local sources	492,841,704	496,026,207	496,019,346	(6,861)
Total revenues	<u>840,564,812</u>	<u>821,269,433</u>	<u>821,262,575</u>	<u>(6,858)</u>
Expenditures				
Current:				
Instruction	538,112,617	542,290,846	539,574,041	2,716,805
Pupil personnel services	34,071,434	35,253,716	34,869,270	384,446
Instructional media services	12,473,960	12,868,790	12,712,332	156,458
Instruction and curriculum development services	7,690,953	9,277,766	9,082,615	195,151
Instructional staff training services	1,777,884	3,445,967	3,374,653	71,314
Instruction related technology	1,431,161	3,264,849	2,825,343	439,506
Board	1,909,863	1,788,520	1,770,534	17,986
General administration	5,484,916	3,985,003	3,940,310	44,693
School administration	54,652,164	55,320,316	54,974,915	345,401
Facilities acquisition and construction	1,247,550	761,456	721,098	40,358
Fiscal services	4,248,277	4,498,542	4,408,983	89,559
Food services	-	220,581	220,580	1
Central services	10,805,950	12,600,261	11,927,641	672,620
Pupil transportation services	48,519,757	45,481,518	45,425,870	55,648
Operation of plant	84,530,293	83,909,458	83,718,459	190,999
Maintenance of plant	22,864,825	25,386,182	23,896,682	1,489,500
Administrative technology services	5,147,419	5,911,098	5,766,527	144,571
Community services	895,257	1,137,782	1,135,732	2,050
Capital outlay:				
Facilities acquisition and construction	184,498	184,498	184,498	-
Other capital outlay	3,648,045	3,654,545	3,654,545	-
Debt service:				
Principal	1,903,177	1,050,951	779,520	271,431
Interest and fees	-	-	93,082	(93,082)
Revenues in excess of (under) expenditures	<u>841,600,000</u>	<u>852,292,645</u>	<u>845,057,230</u>	<u>7,235,415</u>
Deficiency of revenues over expenditures	<u>(1,035,188)</u>	<u>(31,023,212)</u>	<u>(23,794,655)</u>	<u>7,228,557</u>
Other financing sources (uses)				
Loss recoveries	500,000	252,571	252,571	-
Obligations under capital leases	-	-	589,930	589,930
Transfers In	6,000,000	12,953,457	12,953,457	-
Transfers Out	-	(1,819,909)	(1,819,909)	-
Total other financing sources	<u>6,500,000</u>	<u>11,386,119</u>	<u>11,976,049</u>	<u>589,930</u>
Net change in fund balances	<u>5,464,812</u>	<u>(19,637,093)</u>	<u>(11,818,606)</u>	<u>7,818,487</u>
Fund balances - July 1, 2008	<u>81,129,415</u>	<u>81,129,415</u>	<u>81,129,415</u>	<u>-</u>
Fund balances - June 30, 2009	<u>\$ 86,594,227</u>	<u>\$ 61,492,322</u>	<u>\$ 69,310,809</u>	<u>\$ 7,818,487</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Funding Progress – Other Postemployment Benefits x
For the Year Ended June 30, 2009**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
06/30/2008	\$ -	\$ 70,535,701	\$ 70,535,701	0.0%	\$ 620,452,815	11.4%
06/30/2009	\$ -	\$ 43,091,189	\$ 43,091,189	0.0%	\$ 602,033,272	7.2%

Other Supplementary Information

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009**

FEDERAL GRANTOR / PASS-THROUGH GRANT/ PROGRAM TITLE	CFDA Number	Pass - Through Grantor Number	Amount of Expenditure	Amount Provided to Subrecipients
U. S. Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550	N/A	\$ 1,776,058	\$ -
Child Nutrition Cluster:				
Florida Department of Education:				
National School Lunch Program	10.555	300	16,409,992	-
Summer Food Service Program for Children	10.559	323	197,573	-
School Breakfast Program	10.553	321	4,044,780	-
Total Child Nutrition Cluster			<u>20,652,345</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>22,428,403</u>	<u>-</u>
U. S. Department of Labor				
Indirect:				
Worknet Clean Energy	17.268	N/A	67,292	-
Total U. S. Department of Labor			<u>67,292</u>	<u>-</u>
U. S. Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	1,429,672	-
Impact Aid	84.041	N/A	24,848	-
Magnet Schools Assistance	84.165	N/A	73,030	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	313,979	-
Fund for the Improvement of Education	84.215	N/A	1,508,765	-
Foreign Language Assistance	84.293	N/A	172,240	-
Advanced Placement Program	84.330	N/A	84,983	-
Total Direct Federal Awards			<u>3,607,517</u>	<u>-</u>
Indirect:				
Special Education Cluster (IDEA):				
Florida Department of Education:				
Special Education - Grants to States (IDEA, Part B)	84.027	262/263	28,904,384	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	266/267	877,556	-
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	263	216,023	-
ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	84.392	267	21,881	-
Total Special Education Cluster (IDEA)			<u>30,019,844</u>	<u>-</u>
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212	24,672,922	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2120/2230	86,534	-
Total Title I, Part A Cluster			<u>24,759,456</u>	<u>-</u>

(continued)

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2009**

FEDERAL GRANTOR / PASS-THROUGH GRANT/ PROGRAM TITLE	CFDA Number	Through Grantor Number	Amount of Expenditure	Amount Provided to Subrecipients
U. S. Department of Education - Indirect (continued)				
Florida Department of Education:				
Adult Education State Grant Program	84.002	191	1,381,637	-
Title I Grants to Local Educational Agencies-Part D	84.013	223	876,780	-
Vocational Education - Basic Grants to States	84.048	151	1,799,098	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	494,580	-
Education for Homeless Children and Youth	84.196	127	88,348	-
Even Start - State Educational Agencies	84.213	219	251,812	-
Charter Schools	84.282	298	571,491	571,491
State Grants for Innovative Programs	84.298	113	79,568	-
Education Technology State Grants	84.318	121	900,486	-
Reading First State Grants	84.357	2133	2,201,753	-
English Language Acquisition Grants	84.365	1023	958,852	-
Improving Teacher Quality State Grants	84.367	2243	5,079,814	-
Title I School Improvement	84.377	2269	1,066,820	-
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	N/A	120,518	-
Refugee and Entrant Assistance	93.566	N/A	681,478	-
Child Care Worker - Contract LC815	93.575	N/A	111,168	-
Child Care Worker - Contract LC815	93.667	N/A	39,529	-
Florida Refugee Parent Outreach	93.576	1376	48,437	-
Learn and Serve America - School and Community Based Programs	97.004	5328	31,530	-
Total Indirect Federal Awards			<u>71,562,999</u>	<u>571,491</u>
Total U. S. Department of Education			<u>75,170,516</u>	<u>571,491</u>
U. S. Department of Defense:				
Direct:				
JROTC				
Army Junior Reserve Officers Training Corps	None	N/A	174,106	-
Navy Junior Reserve Office Training Corps	None	N/A	68,424	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	58,838	-
			<u>301,368</u>	-
Indirect:				
Florida Department of Military Affairs				
National Guard First Responder Academy	12.401	N/A	838,800	-
Total U. S. Department of Defense			<u>1,140,168</u>	-
Total Expenditures of Federal Awards			<u><u>\$ 98,806,379</u></u>	<u><u>\$ 571,491</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District School Board of Pinellas County, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The amounts have been reconciled to and are in material agreement with the District's accounting records from which the basic financial statements have been prepared.

Note 2 – Noncash Assistance – Food Donation

The food donation from the Florida Department of Agriculture and Consumer Services represents the amount of donated food consumed during the fiscal year. Commodities were valued at fair value at the time of donation.

Compliance and Single Audit



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 22, 2010. We did not audit the financial statements of the charter schools, reported as discretely presented component units as these financial statements were audited by 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We considered Findings 2009-1, 2009-2, 2009-3 and 2009-4 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiencies that are noted in Findings 2009-1, 2009-2 and 2009-3 are material weaknesses. We did not audit the District's responses to these matters which are included in the Corrective Action Plan on pages 59 and 60, and accordingly, we express no opinion on them.

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, regulations, contracts and grants 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 other matters that we reported to management of the District in a separate letter dated March 22, 2010.

This report is intended for the information and use of the District, management, applicable federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Tampa, Florida
March 22, 2010



**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

Compliance

We have audited the compliance of the District School Board of Pinellas County, Florida (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This report is intended for the information of the District School Board, management, applicable federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Tampa, Florida
March 22, 2010

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part I – Summary of Audit Results

1. The auditors' report on the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information expresses unqualified opinions.
2. One significant deficiency and three material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District are disclosed during the audit.
4. No significant deficiencies in internal control over major program are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. The programs tested as major programs were as follows:

<u>Name of Program</u>	<u>CFDA #</u>
U.S. Department of Education:	
Title I, Part A Cluster:	
Title I, Grants to Local Educational Agencies	84.010
ARRA – Title I Grants to Local Educational Agencies	84.389
Special Education Cluster (IDEA):	
Special Education – Grants to States	84.027
Special Education – Preschool	84.173
ARRA – Special Education – Grants to States	84.391
ARRA – Special Education – Preschool Grants	84.392
Improving Teacher Quality State Grants	84.367

7. The threshold used to distinguish between Type A and Type B programs was \$2,964,191.
8. The District was determined not to be a low risk auditee.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2009

Part II – Findings - Financial Statement Audit

Material Weakness

Finding 2009-1 – Financial Reporting

Criteria: The District is responsible for preparing financial statements in accordance with generally accepted accounting principles and for establishing internal control to ensure complete and accurate financial reporting.

Condition: There were numerous audit adjustments, reclassification entries and changes to the disclosures that were required so the financial statements would be presented in accordance with generally accepted accounting principle. A summary of these items follow:

- a) The footnotes relating to the District other postemployment benefits did not include required disclosures on the funded status, actuarial methods and assumptions and changes in assumptions as required by GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.
- b) The District sold land that had a historical cost of \$1,340,000, for approximately \$2.3 million. The proceeds from the sale was recorded as a credit to land rather than reducing land for historical cost. As a result the gain on the sale of the land was not correctly reported.
- c) The investment disclosures did not correctly disclose the maturity and classification of certain investments and the custodial risk.
- d) There were several reclassifications made to the financial statements including accounts payable, estimated liability for long term claims, due to and from other funds, and notes and bonds payable.
- e) A significant lease development agreement entered into with the Pinellas County Education Foundation did not correctly record the voluntary non-exchange portion of the transaction in the fund financial statements and the capital assets in the government wide financial statements.
- f) There was approximately \$1 million difference between the capital leases payable per the general ledger and the amount reported in the financial statements due to an entry posted in the subsequent year.
- g) The “obligations under capital leases” reported in the fund financial statements were understated by approximately \$1.3 million.
- h) The District’s flexible spending bank account, that had a balance of approximately \$416,000, was not reported on the financial statements at the fiscal year.
- i) There was a significant deficiency reported in the prior year that relates to financial reporting (Finding No. 2 – Financial Reporting) that continues to be relevant.

Cause: The District does not appear to have adequate internal control over financial reporting that includes accounting, reconciliation and review of the fiscal year end accounting of primary account balances. This includes an overall attitude and awareness that complete and accurate financial statements are important and the responsibility of management.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2009

Effect: The District's financial statements could be materially misstated and it would not be timely prevented or detected by management.

Recommendation: The District should review and establish adequate internal control to ensure that the financial statements are prepared in accordance with generally accepted accounting principles. This includes establishing a stronger control environment and greater awareness by fiscal employees that complete and accurate account balances that are thoroughly reconciled and reviewed are a key element of financial reporting.

Material Weakness

Finding 2009-2 – Bank Reconciliations

Criteria: Effective internal control procedures require bank reconciliations with the District's general ledger balances are prepared to timely provide assurance that the District's cash collection and disbursement records are in agreement with bank records.

Condition: We noted the bank reconciliations included a \$4.5 million reconciling item that was unresolved for approximately six months which resulted in an overstatement of cash. The District eventually recorded an entry to correct the cash balance in July 2009 by reducing cash and debiting the amounts due to other agencies by \$1.2 million and payroll deductions and withholdings by \$3.3 million. This adjustment was not considered when the District prepared the financial statements for the period ended June 30, 2009.

There was a significant deficiency reported in the prior year that relates to bank reconciliations (Finding No. 3 – Bank Account Reconciliations) that continues to be relevant.

Cause: The District does not appear to have adequate internal control relating to the preparation and review of bank reconciliations to ensure that reconciling items are timely investigated and resolved. This includes an overall attitude and awareness that complete and accurate bank reconciliations are important.

Effect: The District's cash balances and other financial statements amount could be materially misstated without being timely corrected.

Recommendation: The District should establish and maintain internal control to ensure that bank reconciliations are prepared and reviewed. In addition, reconciling items should be timely investigated and resolved.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2009

Material Weakness

Finding 2009-3 – Investments

Criteria: Maintaining sound internal controls over the District's investments is critical to an effective system of internal controls.

Condition: We noted the following related to investments:

- a) Section 7.24 (15)(e) of the District investment policies requires investments to be reconciled monthly. We noted that the investment reconciliations are not completed timely. For example, we noted that the June 2009 investments were reconciled on October 15, 2009 and subsequently reviewed on October 29, 2009.
- b) The District purchased approximately \$39.3 million of bonds that did not comply with the District's investment policies that required investment instruments to have the highest quality as rated by a nationally recognized rating agency at the time of purchase.
- c) Electronic fund transfers are not approved prior to being initiated. A similar finding was reported in the prior year (Finding No. 1H – Electronic Funds Transfers) that continues to be relevant.
- d) A third party valuation was not obtained for the fair value of a bond at fiscal year end. As a result, the bond was recorded at book value which was \$500,000 greater than the fair value of the investment.

Cause: The District does not appear to have adequate internal control relating to investment management (to ensure compliance with the District's investment policies), electronic fund transfers and investment valuations.

Effect: The investment activity may not be in compliance with the District's policies and investments may not be reported in accordance with generally accepted accounting principles.

Recommendation: The District should establish internal control to ensure that investment policies are followed and that investment activity and electronic funds transfers are properly reflected in the general ledger including the timely reconciliation and approval of such activity. Additionally, we recommend that all investments are reviewed for proper valuation at fiscal year end.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2009**

Significant Deficiency

Finding 2009-4 – Capital Assets

Criteria: Capital assets, capital outlays and gain/loss on disposal of capital assets should be reported in accordance with generally accepted accounting principles.

Condition: We noted the following regarding the District's accounting for capital asset transactions:

- a) The District entered into a significant lease development agreement with the Pinellas County Education Foundation whereby the District ultimately was the owner of all the fixtures and improvements built on the property. The District, however, did not record approximately \$4.1 million of capital expenditures relating to this transaction in the government-wide financial statements.
- b) There were several errors in recording depreciation and gain/loss on disposal of capital assets.
- c) There was an unreconciled difference of \$4.9 million between additions to capital assets on the government wide financial statements and the capital outlay expenditures recorded on the fund financial statements.
- d) The District does not maintain a detailed listing of all land improvements and building and fixed equipment. A similar finding was noted in the prior year (Finding No. 7 –Capital Assets Controls).

Cause: There is not an adequate review of the accounting records and financial reporting relating to capital assets transactions.

Effect: Capital asset transactions may not be recorded in accordance with generally accepted accounting principles.

Recommendation: The District should review the internal control relating to capital assets to ensure that controls are adequately designed and placed in operation.

Part III – Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings or questioned costs reported.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Summary Schedule of Prior Audit Findings – Federal Awards
Year Ended June 30, 2009**

Finding No. 1 – Level of Effort – Supplement Not Supplant

Federal Agency: U.S. Department of Education
Pass-Through Entity: Florida Department of Education
Program: CFDA # 84.010 – Title I Grants to Local Educational Agencies
Finding Type: Noncompliance and significant deficiency
Questioned Costs: \$1,079,879

Condition and Criteria: The District did not document certain salaries and benefits to met the supplement not supplant compliance requirement. This resulted in questioned costs totaling \$1,079,879.

Recommendation: The District should document to the grantor the allowability of the remaining questioned costs of \$1,079,879, or these moneys should be restored to the program.

Current status: Resolved – The District has restored these moneys to the program.

Finding No. 2 – Special Tests and Provisions- Highly Qualified Teachers

Federal Agency: U.S. Department of Education
Pass-Through Entity: Florida Department of Education
Program: CFDA # 84.010 – Title I Grants to Local Educational Agencies
Finding Type: Noncompliance and significant deficiency
Questioned Costs: \$163,858

Condition and Criteria: Teachers employed by the District to provide services to eligible private school students did not meet the requirements to be highly qualified for the core academic subject taught. This resulted in questioned costs totaling \$163,858, for salaries and benefits paid to 19 teachers during the 2007-08 fiscal year.

Recommendation: The District should enhance procedures to ensure that all teachers hired to teach core academic subjects in Title I private schools are highly qualified. The District should document to the grantor the allowability of the \$163,858 in questioned costs or those moneys should be restored to the program.

Current status: Resolved – The District has restored these moneys to the program.



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SCHOOL BOARD OF
PINELLAS COUNTY, FLORIDA

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Superintendent
Julie M. Janssen, Ed.D.

March 22, 2010

Cherry, Bekaert & Holland, L.L.P.
401 East Jackson Street - Suite 3400
Tampa, Florida 33602

Dear Ms. Manning,

The following are the district responses to the Management Letter Comments for the fiscal year ended June 30, 2009.

Finding 2009-1 Financial Reporting

The district will enhance its procedures for the preparation of the year end schedules which culminate in the annual financial report. The district is developing and implementing a comprehensive review process to ensure accuracy in financial reporting. In this process, duties and responsibilities will be further segregated between staff preparing the annual financial report and staff reviewing the annual financial report. These changes reflect management's commitment to accurate financial reporting.

Finding 2009-2 – Bank Reconciliations

Staff has reviewed the bank reconciliation process and tightened the process for correcting reconciling items once they have been identified.

Finding 2009-3 – Investments

- a) Reconciliation of the investment accounts has been behind schedule for a couple of years. The issues have been in identifying and documenting an increasing number of reconciling items that have arise due to "bugs" in the software the District uses to track the investment portfolio. The District has engaged Spence, Marston, Morris, and Bunch to provide an analysis of the District's reconciliation procedures. Their analysis will be used to strengthen the District's reconciliation process. In addition, SymPro release a major upgrade to their software last year that addressed most of the problems in the prior version. The District started using version 7 of SymPro in July 2009. Accounting for the discrepancies leftover from version 6, the reconciliations have been much cleaner. In addition, the District is going to hire an Assistant Manager, Cash & Investments, who will assume responsibility for tracking the District's investment

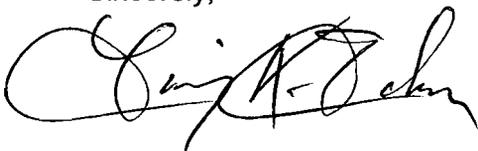
portfolio. This position will also work with the person responsible for reconciling investments to help ensure timely reconciliations.

- b) The District's policy does not require Electronic Fund Transfers (EFTs) to be signed off on prior to execution. The comment in the prior year's audit related to timely verification of the transaction by a third party. The District has changed the process so that upon completion of EFT activity for a particular day, the activity is given to a Financial Reporting Analyst in the Finance department, who signs on to Bank of America's website and verifies the transactions.
- c) Staff is currently reviewing the firm that prices the District's portfolio. Once the review is complete, staff and the Investment Oversight Committee will determine whether it's advantageous to switch.
- d) Prior to the latest revision of the District's investment policy (7.24), all investments were either from issuers with triple A ratings, or had implied triple A ratings. Therefore, ratings were not typically part of the purchase decision-making process. When the Manager, Cash & Investments started purchasing asset-backed securities, some investments were not properly screened for ratings. Currently, the District has one bond that is not rated triple A, however, this bond was rated triple A by both S&P and Moody's on the purchase date. S&P downgraded this bond to BBB+ and Moody's has maintained their triple A rating. As noted in a) above, the District is going to hire an Assistant Manager, Cash & Investments, who will assume responsibility for tracking the District's investment portfolio. This position will be entering the portfolio and will serve as double check that investments fall within policy.

Finding 2009-4-Capital Assets

The district recently completed a process to reconcile capital asset additions in the property records system to capital asset additions in the TERMS general ledger system. The reconciliation is conducted on a monthly basis. Also, the district is developing a cost allocation process to assign historical cost to all individual district buildings by site. In addition, the district will enhance its procedures for financial reporting related to capital assets.

Sincerely,



Lansing K. Johansen
Chief Business Officer



Independent Auditors' Management Letter

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated March 22, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the charter schools, reported as discretely presented component units, these financial statements were audited by other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance, and the Schedule of Findings and Questioned Costs. Disclosure in those reports and schedule, which are dated March 22, 2010 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General, which govern the conduct of district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of findings and recommendations made in the preceding annual financial audit report are addressed in Appendix B.

Section 10.804(1)(f)2 Rules of the Auditor General, requires a statement be included as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination of the District's compliance with this requirement.

Section 10.804(1)(f)3., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our tests indicated that the District was not in compliance with Section 218.415 regarding the investment of public funds. The non compliance was reported in the Schedule of Findings and Questioned Costs as Finding 2009-3. Our audit, however, was not directed toward obtaining knowledge regarding the District's compliance with this requirement.

Section 10.804(1)(f)4., Rules of the Auditor General requires that we address in the management letter any recommendations to improve financial management. See Appendix A regarding the current year's recommendations. We did not audit the District's responses to these matters, which are also provided in Appendix A, and accordingly, we express no opinion on them.

Section 10.804(1)(f)5., Rules of the Auditor General requires that we address violations of provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. See Appendix A regarding current year's recommendations.

Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing Standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, applicable federal and state agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Tampa, Florida
March 22, 2010

SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Appendix A – Management Letter Comments June 30, 2009

In planning and performing our audit of the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the School Board of Pinellas County, Florida (the “District”), as of and for the year ended June 30, 2009, which collectively comprise the District’s basic financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

During our audit we became aware of matters that present opportunities for strengthening internal control and operating efficiency.

Current Year Observations and Recommendations:

Information Technology

Observation #1 - Passwords: We noted the District does not meet the industry best practices for password and account lockout settings at the application level. The current TERMS settings include:

Password length: 5
Invalid login attempts: 4
Password history: 4

Recommendation: We recommend that password and account lockout settings for the District be set to to following to reflect best practices for security:

Password length: 8
Password history: At least 5
Invalid login attempts: 5

Management’s Response: The following policy was recently sent to all employees and accounts users. In order to use TERMS, the network password must be used to login to a computer/network. Although this policy does not directly follow the recommendation, it was revised as a means to address this observation.

“The network password must meet complexity requirements:

The password is at least six characters long.

The password contains characters from three of the following four categories:

English uppercase characters (from A through Z)

English lowercase characters (from a through z)

Digits from 0 through 9

Non-alphanumeric characters (for example: !, \$, #, or %)

The password does not contain three or more characters from the user’s account name, regardless of case, such as last name.

Your PCS Network password expires every 90 days and must be changed. It may not be changed to current or any of the past three (3) passwords.”

SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Appendix A – Management Letter Comments (continued)
June 30, 2009**

Observation #2 – Risk Assessment: We noted the District has not recently performed a formal risk assessment of the information technology that is currently in place.

Recommendation: We recommend that the District establish a formal process to assess the risks relating of the current information technology (IT). Ideally a risk assessment is performed by an independent outside third party at least every three years to identify potential risks and assess areas of high risk areas within the IT environment. Results of the assessment should be shared with upper management and incorporated into the District's IT Strategic Plan as appropriate.

Management's Response: The MIS department has engaged the Perot Systems practice of Dell to assist with a Business Continuity Management Program which is to include a formal risk assessment. This program will be a part of the district Technology Plan. We will follow the recommendation to perform this every three (3) years as funds are available.

Observation #3 – Logical Access Privileges: We noted that the District does not perform a periodic review of access privileges to the financial applications.

Recommendation: We recommend that the District review the logical access privileges to financial applications on a quarterly basis. This includes verifying that the current level of access accurately reflects the minimum level required for the user to perform their job function, as well as, considering that there is an appropriate segregation of duties. System generated lists of users should be reviewed by the appropriate supervisor including obtaining a documented response indicating whether or not access changes are required. Access change should be documented appropriately using a formal access request form

Management's Response: The Payroll department performs an annual review of access privileges to the TERMS Payroll System. Schools are required to submit TERMS access requests that are using logical profiles with minimum access levels based upon job duties. Access changes are made upon demand by a PCS form from the appropriate authorizing person. The MIS department will have a security committee meet quarterly to review the use of these logical profiles as well as other security needs.

School Internal Account Funds.

Observation: We noted that cash for the school internal account funds at June 30, 2009 were not reconciled to the general ledger and there was an unexplained difference of approximately \$115,000.

Recommendation: We recommend that the school internal account funds be reconciled to the general ledger and differences be timely reconciled.

Management's Response: The district will enhance its procedures to ensure accurate and timely reconciliation of internal funds accounts.

SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Appendix B – Prior Year’s Observations
June 30, 2009**

The following is a summary of the findings from the preceding annual financial audit report for the fiscal year ended June 30, 2008 that was issued by the Florida Auditor General (Report No. 2009-186) and the status of corrective action relating to the finding.

Finding # per AG Report No. 2009-186	Management Letter Comments	Assessment of Finding by Florida Auditor General(a)	Finding continues to be relevant	Finding has been addressed or no longer relevant
	Investment Controls:	Material (e)		
1A	Investment Program Management		X	
1B	Ethics Policies		X	
1C	Investment Program Performance Objectives		X	
1D	Investment Transaction Monitoring		X	
1E	Investment Program Performance Reporting and Monitoring		X	
1F	Cash Flow Projections		X	
1G	Accounting Controls			X
1H	Electronic Funds Transfers		X	
2	Financial Reporting	Significant	X (c)	
3	Bank Account Reconciliations	Significant	X (d)	
4	Inventories – Separation of Duties	AM		X(b)
5	Cash Disbursements – Separation of Duties	AM		X
6	Accounts Payable and Payroll Deductions and Withholdings General Ledger Account	AM		X
7	Capital Asset Controls	AM	X (f)	
8	Food Service Collections	AM		X
9	Ad Valorem Taxation	AM		X (b)
10	Construction Administration	AM		X
11	Workforce Education Postsecondary Student Fees	AM		X
12	Workforce Education Program Funds- Indirect Costs	AM		X
13	Collection of Social Security Numbers	AM		X
14	Fingerprinting Requirements	AM		X
15	Cellular Telephones	AM	X	
16	Monitoring of Charter Schools	AM		X
17	Architect Insurance	AM		X
18	Information Technology – User Application Access Controls	AM		X
19	Information Technology – Security Controls	AM		X
20	Information Technology – Program Change Controls	AM	X	
21	Information Technology – Terminated Employee Access	AM		X
22	Information Technology – Security Awareness Training	AM		X
23	Information Technology – Disaster Recovery	AM	X	

SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Appendix B – Prior Year’s Observations (continued)
June 30, 2009

Legend:

- (a) Material = Material weakness; Significant = Significant deficiency; AM = Additional matter
- (b) This finding was addressed by District by approximately March 2009.
- (c) Also see material weakness reported on the Schedule of Findings and Questioned Costs (Finding 2009-1) relating to financial reporting.
- (d) Also see material weakness reported on the Schedule of Findings and Questioned Costs (Finding 2009-2) relating to bank reconciliations.
- (e) Also see material weakness reported on the Schedule of Findings and Questioned Costs (Finding 2009-3) relating to investments.
- (f) Also see significant deficiency reporting on the Schedule of Findings and Questioned Costs (Finding 2009-4) relating to capital assets.