

District School Board Of Pinellas County

Financial Statements and Supplementary Information

June 30, 2010

District School Board of Pinellas County
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June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the District School Board of Pinellas County
and Dr. Julie Janssen, Superintendent of Schools
Largo, Florida

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Pinellas County (the District) as of and for the year ended June 30, 2010, 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 most component units, which represent 93.35%, 84.86%, and 96.15%, respectively, of the assets, net assets, and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based on the report of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2011 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and schedule of funding progress for other postemployment benefits on pages 3 through 11 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Caru, Riggs & Ingram, L.L.C.

Clearwater, Florida
March 21, 2011

**DISCTRICT SCHOOL BOARD OF PINELLAS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 material deviations from the approved budget; and (e) highlight significant issues in individual funds.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements ("District-wide")
- Fund financial statements
- Notes to the financial statements

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

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

MAJOR FEATURES OF THE DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

	District Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that 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 net assets, and statement of changes in fiduciary net assets.
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.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

The District-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 thirteen separate legal entities in this report. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles.

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.

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus, rather than the economic resources measurement focus found in the District-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the District-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.

Proprietary Fund

The internal service fund is used to account for the District' self-insurance programs.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the District-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.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Assets – Below is a summary of the District's net assets for the year ended June 30, 2009, as compared to June 30, 2010.

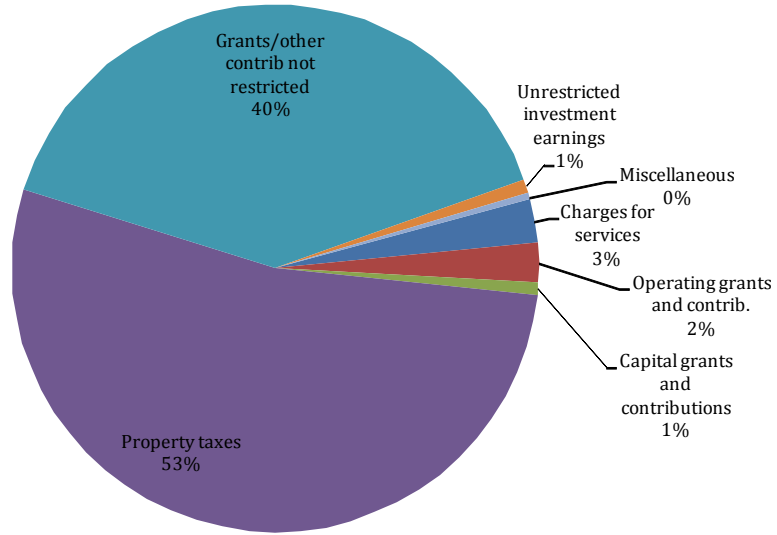
	<u>2009</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current Assets	\$ 488,292,252	\$ 418,436,068	\$(69,856,184)	
Net Capital Assets	<u>1,773,918,858</u>	<u>1,866,515,900</u>	<u>92,597,042</u>	
Total Assets	<u>\$2,262,211,110</u>	<u>\$2,284,951,968</u>	<u>\$ 22,740,858</u>	1.01%
Other Liabilities	116,002,957	98,311,920	(9,505,071)	
Long-term Liabilities	<u>157,754,485</u>	<u>148,249,414</u>	<u>(17,691,037)</u>	
Total Liabilities	<u>\$ 273,757,442</u>	<u>\$ 246,561,334</u>	<u>\$(27,196,108)</u>	-9.93%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$1,721,208,312	\$1,820,894,728	\$99,686,416	
Restricted	311,880,228	242,814,589	(69,065,639)	
Unrestricted (Deficit)	<u>(44,634,872)</u>	<u>(25,318,683)</u>	<u>19,316,189</u>	
Total Net Assets	<u>\$1,988,453,668</u>	<u>\$2,038,390,634</u>	<u>\$49,936,966</u>	2.51%

The District's net assets increased 2.51% to \$2.04 billion. This was attributed to a combination of an increase in total assets and a decrease in total liabilities, but primarily due to increases in capital assets. The District reported an unrestricted net asset deficit of \$25.3 million. The calculation of net assets uses an historical cost of school buildings that may not accurately reflect the true value. Pinellas County's schools and support buildings are in excellent condition as a result of sufficient annual funds appropriated for maintenance and repair.

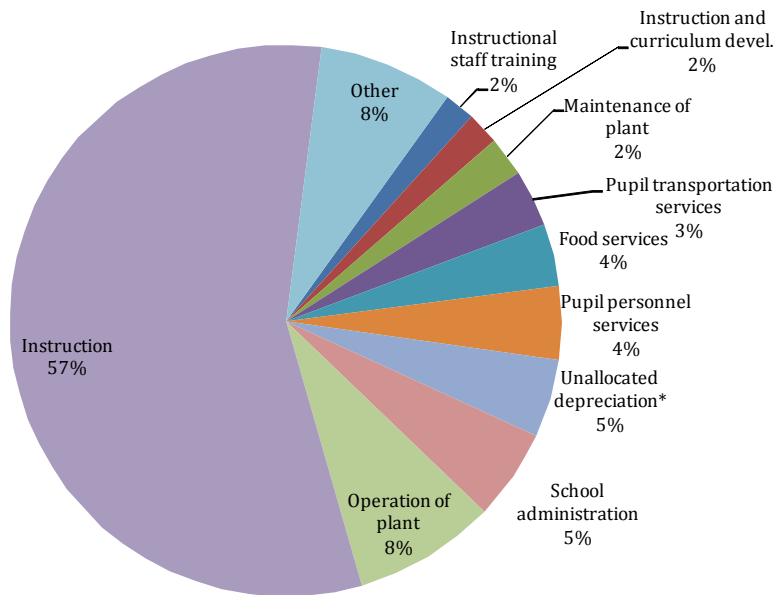
Changes in Net Assets - The table below shows the changes in net assets for 2009 and 2010.

Revenues	<u>2009</u>	<u>2010</u>
Program Revenues:		
Charges for services	\$ 27,869,666	\$ 28,051,560
Operating grants and contributions	41,720,254	25,489,857
Capital grants and contributions	14,648,166	7,689,507
General Revenues:		
Property taxes	611,419,304	562,925,960
Grants and contributions not restricted to specific programs	380,438,374	420,449,852
Unrestricted investment earnings	8,724,869	9,060,453
Miscellaneous	13,266,172	4,377,200
Total Revenues	<u>1,098,086,805</u>	<u>1,058,044,389</u>
 Expenses		
Instruction	581,928,850	570,565,135
Pupil personnel services	44,585,246	43,321,534
Instructional media services	13,162,730	12,141,949
Instruction and curriculum development	20,091,721	19,332,910
Instructional staff training	13,314,988	18,067,136
Instruction related technology	13,603,348	8,169,353
School Board	7,800,189	10,930,429
General administration	6,140,554	5,479,689
School administration	55,134,934	53,861,407
Facilities acquisition and construction	20,128,678	11,768,611
Fiscal services	4,470,250	4,901,633
Food services	37,661,119	36,203,313
Central services	12,577,654	13,539,351
Pupil transportation services	45,728,914	34,429,985
Operation of plant	84,014,163	83,226,247
Maintenance of plant	23,980,005	22,777,697
Administrative technology services	5,810,130	5,508,353
Community services	2,808,754	4,156,390
Interest on long-term debt	2,579,197	3,249,634
Unallocated depreciation*	41,344,138	46,476,667
Total Expenses	<u>1,036,865,559</u>	<u>1,008,107,423</u>
 Increase in Net assets	61,221,246	49,936,966
Net Assets Beginning	1,927,232,422	1,988,453,668
Net Assets Ending	<u>\$ 1,988,453,668</u>	<u>\$ 2,038,390,634</u>

**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES
PERIOD ENDED JUNE 30, 2010**



**EXPENSES BY SOURCE – GOVERNMENTAL ACTIVITIES
PERIOD ENDED JUNE 30, 2010**



Financial Analysis of Individual Funds

The District completed the year with a total governmental fund balance of nearly \$324.3 million, a decrease of \$51.4 million over 2009 fund balance of \$375.7 million. The 2010 decrease in fund balance is comparable to the decrease in 2009.

Despite the overall decrease in fund balance, the General Fund had a \$ 13.8 million increase to \$83.1 million. This increase is compared to an \$11.8 million decrease in 2009. The 2010 favorable results are due to a significant decrease in General Fund operating expenditures.

Capital Improvement Section 1011.71(2) Fund balance decreased \$48.6 million to \$208.7 million. This decrease is a result of expenditures incurred a result of construction needs.

Other Governmental Funds also experienced a decrease of fund balance from \$49.1 million in 2009 to \$32.5 million in 2010, most of which is attributable to an increase in expenditures for non-major capital outlay funds for future construction needs.

Budget Variance in the General Fund

Overall budgeted revenue exceeded actual by a small amount. This change was due to better than anticipated tax collections. Appropriations experienced an increase from original budget to final. The financial model used by the District to predict future needs suggested some realignment resulting in expenditure adjustments

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

By the end of fiscal year 2010, the District had invested slightly more than \$2.5 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net increase of \$125.0 million from 2009. More detailed information concerning capital assets can be found in Note 5 to the financial statements. Accumulated depreciation on these assets totaled almost \$692.2 million.

- Asset acquisitions totaled \$170.1 million.
- The District disposed of \$45.1 million in assets.
- The net change to construction in progress reflected a net decrease of \$36.8 million.
- The District acquired technology assets through capital lease totaling \$9.2 million.
- The District recognized depreciation expense of \$68.4 million for the year.

A comparison of capital asset categories for the current and prior year are as follows:

	<u>2009</u>	<u>2010</u>
Land	\$ 96,518,549	\$ 96,571,016
Land Improvements -Non Depreciable	22,717,599	22,717,599
Construction in Progress	75,001,775	38,227,935
Buildings and Fixed Equipment	1,959,491,548	2,129,516,136
Improvements other than Building	6,433,818	7,686,185
Furniture Fixtures and Equipment	139,121,923	145,362,859
Motor Vehicles	63,697,143	58,231,720
Audio Visual and Computer Software	14,835,573	15,282,097
Property Under Capital Lease	<u>55,875,622</u>	<u>45,125,784</u>
Total Capital Assets	2,433,693,550	2,558,721,331
Accumulated Depreciation	<u>(659,774,692)</u>	<u>(692,205,431)</u>
Total Net Capital Assets	<u>\$ 1,773,918,858</u>	<u>\$ 1,866,515,900</u>

LONG-TERM DEBT

At year-end, the District had \$176.7 million in general obligation bonds and other long-term debt outstanding – a decrease of 4.7% from last year. All long-term debt categories decreased during 2010 except for the District's obligation for postemployment health benefits. (More detailed information about the District's long-term liabilities is presented in Notes 6, 7, 8, 9, and 17 to the financial statements.)

Outstanding Long-Term Obligations

	<u>2009</u>	<u>2010</u>	Percentage Change
General Obligation Debt	\$ 32,360,000	\$ 29,955,000	-7.4%
Compensated absences	109,548,276	104,872,841	-4.3%
Capital lease	20,350,543	15,666,172	-23.0%
Insurance claims	18,488,653	18,452,450	-0.2%
Postemployment Health Benefits	4,707,683	7,796,142	65.6%
Total	<u>\$ 185,455,155</u>	<u>\$ 176,742,605</u>	<u>-4.7%</u>

SIGNIFICANT ECONOMIC FACTORS

The District continues to face funding challenges. The State has elected to participate in the American Recovery and Reinvestment Act (for the second year) in order to supplement declining revenues in 2009-10. As a result, the District received approximately \$39.7 million in additional General Fund revenue as well as additional IDEA and Title I funding through the Federal government's "Stimulus" funding. This is the final year of this funding.

Requests for Information

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

Basic Financial Statements

District School Board of Pinellas County

Statement of Net Assets

June 30,

2010

	Primary Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 36,800,224	\$ 1,768,739
Investments	345,012,812	208,973
Accounts receivable	3,342,970	924,597
Taxes receivable, net	208,125	-
Interest receivable	813,698	-
Internal balances	393,825	-
Due from other agencies	21,260,893	190,942
Inventories	5,076,263	-
Prepaid items	5,527,258	354,642
Deposits	-	172,144
Capital assets, net	1,866,515,900	1,346,354
Total assets	\$ 2,284,951,968	\$ 4,966,391
Liabilities and Net assets		
Salaries and wages payable	\$ 6,913,549	\$ 378,117
Payroll deductions and withholdings	37,481,190	-
Accounts payable and accrued expenses	4,455,956	691,476
Construction contracts payable	5,031,136	-
Construction contracts retainage payable	5,743,237	-
Due to other governmental agencies	9,326,730	852,413
Deferred revenues	843,769	325,404
Sales tax payable	23,162	-
Long-term liabilities:		
Portion due within one year	28,493,191	279,521
Portion due after one year	148,249,414	333,674
Total liabilities	246,561,334	2,860,605
Net assets		
Invested in capital assets, net of related debt	1,820,894,728	994,349
Restricted for:		
State categorical programs	3,310,566	-
Capital projects	226,788,623	67,783
Debt service	1,037,007	-
Other purposes	11,526,525	-
Endowment - nonexpendable	151,868	65,388
Unrestricted	(25,318,683)	978,266
Total net assets	2,038,390,634	2,105,786
Total liabilities and net assets	\$ 2,284,951,968	\$ 4,966,391

See accompanying notes to financial statements.

District School Board of Pinellas County
Statement of Activities

Year ended June 30,

2010

Functions/Programs	Expenses	Charges for Services	Program Revenue		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
			Operating Grants and Contributions	Governmental Activities		Component Units	
Primary government							
Governmental Activities							
Instruction	\$ 570,565,135	\$ 3,465,383	\$ -	\$ -	\$ (567,099,752)	\$ -	-
Pupil personnel services	43,321,534	-	-	-	(43,321,534)	-	-
Instructional media services	12,141,949	-	-	-	(12,141,949)	-	-
Instruction and curriculum development	19,332,910	-	-	-	(19,332,910)	-	-
Instructional staff training	18,067,136	-	-	-	(18,067,136)	-	-
Instruction related technology	8,169,353	-	-	-	(8,169,353)	-	-
School Board	10,930,429	7,371,896	-	-	(3,558,533)	-	-
General administration	5,479,689	-	-	-	(5,479,689)	-	-
School administration	53,861,407	-	-	-	(53,861,407)	-	-
Facilities acquisition and construction	11,768,611	-	-	5,457,261	(6,311,350)	-	-
Fiscal services	4,901,633	-	-	-	(4,901,633)	-	-
Food services	36,203,313	12,322,470	25,489,857	-	1,609,014	-	-
Central services	13,539,351	-	-	-	(13,539,351)	-	-
Pupil transportation services	34,429,985	4,891,811	-	-	(29,538,174)	-	-
Operation of plant	83,226,247	-	-	-	(83,226,247)	-	-
Maintenance of plant	22,777,697	-	-	2,232,246	(20,545,451)	-	-
Administrative technology services	5,508,353	-	-	-	(5,508,353)	-	-
Community services	4,156,390	-	-	-	(4,156,390)	-	-
Interest on long-term debt	3,249,634	-	-	-	(3,249,634)	-	-
Unallocated depreciation/amortization expense	46,476,667	-	-	-	(46,476,667)	-	-
Total governmental activities	\$ 1,008,107,423	\$ 28,051,560	\$ 25,489,857	\$ 7,689,507	(946,876,499)	-	-
Component Units							
Charter schools/foundations	\$ 18,349,695	\$ 226,108	\$ 1,136,385	\$ 755,285	-	-	(16,231,917)

General revenues:

Taxes:

Property taxes, levied for general purposes	461,723,454	6,528,417
Property taxes, levied for capital projects	101,202,506	-
Grants and contributions not restricted to specific programs	420,499,852	8,269,676
Investment earnings	9,060,453	3,338
Miscellaneous	12,248,309	2,456,975
Gain (loss) on disposal of capital assets	(7,921,109)	371,724
Total general revenues	996,813,465	17,630,130
Change in net assets	49,936,966	1,398,213
Net assets - beginning	1,988,453,668	707,573
Net assets - ending	\$ 2,038,390,634	\$ 2,105,786

See accompanying notes to financial statements.

District School Board of Pinellas County
Balance Sheet
Governmental Funds

June 30,

2010

	General Fund	ARRA Economic Stimulus Funds	Capital Projects - Local Capital Improvement Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 31,727,294	\$ -	\$ 5,018,679	\$ 17,707	\$ 36,763,680
Investments	73,183,983	-	225,248,822	26,500,716	324,933,521
Taxes receivable, net	163,235	-	44,890	-	208,125
Accounts receivable, net	280,632	-	73,259	2,800,091	3,153,982
Interest receivable	255,848	-	464,326	62,459	782,633
Due from other funds	37,704,546	82,098	1,895,683	2,535,951	42,218,278
Due from other agencies	2,290,888	6,210,971	-	12,759,034	21,260,893
Inventory	4,161,713	-	-	914,550	5,076,263
Prepaid items	5,527,258	-	-	-	5,527,258
Total assets	\$ 155,295,397	\$ 6,293,069	\$ 232,745,659	\$ 45,590,508	\$ 439,924,633
Liabilities and fund balances					
Liabilities:					
Salaries, benefits and payroll taxes payable	\$ 6,913,549	\$ -	\$ -	\$ -	\$ 6,913,549
Payroll deductions and withholdings	31,250,278	3,035,167	-	3,195,745	37,481,190
Accounts payable	2,397,439	138,257	916,928	1,050,320	4,502,944
Construction contracts payable	-	-	3,433,024	1,598,112	5,031,136
Construction contracts payable - retained percentage	621	-	4,278,498	1,464,118	5,743,237
Sales tax payable	23,162	-	-	-	23,162
Due to other agencies	7,808,405	748,957	-	769,368	9,326,730
Due to other funds	23,753,196	2,370,688	15,425,482	4,249,020	45,798,386
Deferred revenue	66,661	-	-	777,108	843,769
Total liabilities	72,213,311	6,293,069	24,053,932	13,103,791	115,664,103
Fund balances:					
Reserved for:					
State required carryover programs	3,310,566	-	-	-	3,310,566
Encumbrances	13,181,388	-	66,640,127	7,952,120	87,773,635
Inventories	4,161,713	-	-	914,550	5,076,263
Unreserved, reported in:					
General fund	62,428,419	-	-	-	62,428,419
Special revenue funds	-	-	-	11,151,524	11,151,524
Debt service funds	-	-	-	1,037,007	1,037,007
Capital projects funds	-	-	142,051,600	11,279,648	153,331,248
Permanent funds	-	-	-	151,868	151,868
Total fund balances	83,082,086	-	208,691,727	32,486,717	324,260,530
Total liabilities and fund balances	\$ 155,295,397	\$ 6,293,069	\$ 232,745,659	\$ 45,590,508	\$ 439,924,633

See accompanying notes to financial statements.

District School Board of Pinellas County
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets

<i>June 30,</i>	2010
Total fund balances, governmental funds	\$ 324,260,530
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,866,515,900
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.	5,904,359
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds as follows:	
Compensated absences payable	(104,872,841)
Bonds payable	(29,955,000)
Postemployment healthcare benefits payable	(7,796,142)
Obligations under capital leases	(15,666,172)
Net assets of governmental activities in the statement of net assets	\$ 2,038,390,634

See accompanying notes to financial statements.

District School Board of Pinellas County
Statement of Revenues, Expenditures and Changes in Fund Balance:
Governmental Funds

Year ended June 30,

2010

	General Fund	ARRA Economic Stimulus Funds	Capital Projects - Local Capital Improvement Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal direct	\$ 326,704	\$ -	\$ -	\$ 4,876,275	\$ 5,202,979
Federal through state	2,717,152	60,944,402	-	87,170,853	150,832,407
State sources	290,766,438	-	-	8,351,715	299,118,153
Local sources	481,139,356	-	105,487,468	17,242,152	603,868,976
Total revenues	774,949,650	60,944,402	105,487,468	117,640,995	1,059,022,515
Expenditures					
Current:					
Instruction	483,133,347	51,109,013	-	34,265,620	568,507,980
Pupil personnel services	32,827,738	853,920	-	9,832,288	43,513,946
Instructional media services	11,676,176	-	-	428,434	12,104,610
Instructional and					
curriculum development	8,994,306	423,669	-	9,868,085	19,286,060
Instructional staff training	6,088,305	5,676,707	-	6,341,548	18,106,560
Instruction related technology	2,688,793	-	-	105,238	2,794,031
School Board	1,895,492	-	-	1,500	1,896,992
General administration	3,256,890	336,544	-	1,826,294	5,419,728
School administration	53,877,326	-	-	237,485	54,114,811
Facilities acquisition and construction	474,327	-	83,891	2,394,764	2,952,982
Fiscal services	4,858,915	-	-	702,811	5,561,726
Food services	164,780	-	-	35,736,644	35,901,424
Central services	12,901,631	-	-	616,428	13,518,059
Pupil transportation services	33,984,108	268,658	-	61,401	34,314,167
Operation of plant	83,189,082	-	-	148,374	83,337,456
Maintenance of plant	22,743,145	-	-	-	22,743,145
Administrative technology services	5,419,953	-	-	93,333	5,513,286
Community services	1,057,376	-	-	3,097,390	4,154,766
Fixed capital outlay:					
Facilities acquisition					
and construction	166,311	-	138,992,849	23,048,359	162,207,519
Other capital outlay	3,876,039	2,275,891	-	963,614	7,115,544
Debt Service:					
Retirement of principal	420,099	-	11,638,073	2,405,000	14,463,172
Interest and fiscal charges	(14,290)	-	980,367	1,619,700	2,585,777
Dues, fees, and issuance costs	-	-	-	4,904	4,904
Total expenditures	773,679,849	60,944,402	151,695,180	133,799,214	1,120,118,645
Excess (deficiency) of revenues over expenditures	1,269,801	-	(46,207,712)	(16,158,219)	(61,096,130)
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	-	208,946	208,946
Loss recoveries	205,911	-	-	-	205,911
Obligations under capital leases	-	-	9,241,271	-	9,241,271
Transfers in	12,295,564	-	-	-	12,295,564
Transfers out	-	-	(11,616,367)	(679,197)	(12,295,564)
Total other financing sources and (uses)	12,501,475	-	(2,375,096)	(470,251)	9,656,128
Net change in fund balances	13,771,276	-	(48,582,808)	(16,628,470)	(51,440,002)
Fund balances, July 1, 2009	69,310,810	-	257,274,535	49,115,187	375,700,532
Fund balances, June 30, 2010	\$ 83,082,086	\$ -	\$ 208,691,727	\$ 32,486,717	\$ 324,260,530

See accompanying notes to financial statements.

District School Board of Pinellas County

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

<i>Year ended June 30,</i>	2010
Net change in fund balances - total governmental funds:	\$ (51,440,002)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as an expenditure. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.	101,718,726
The Statement of Activities reflects the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold.	(9,121,683)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal on bonds and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which the debt repayments exceeded the proceeds in the current period.	16,330,642
In the Statement of Activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year. However, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). This is the amount which accrued special termination benefits	4,675,435
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.	(3,088,459)
Certain capital assets acquired during the current period were financed with a capital lease. The capital lease was reported in the governmental funds as a source of funding; however, in the statement of net assets the capital lease was recorded as a long term liability.	(9,241,271)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	103,578
Change in net assets of governmental activities	\$ 49,936,966

See accompanying notes to financial statements.

District School Board of Pinellas County

Statement of Net Assets
Proprietary Fund

<i>June 30,</i>	2010
	Governmental Activities - Internal Service Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 36,544
Accounts receivable	188,988
Interest receivable	31,065
Due from other funds	4,008,512
Investments	20,079,291
<hr/>	
Total assets	\$ 24,344,400
<hr/>	
Liabilities	
Insurance claims payable	\$ 18,405,462
Due to other funds	34,579
<hr/>	
Total liabilities	18,440,041
Net assets	
Restricted	5,904,359
<hr/>	
Total liabilities and net assets	\$ 24,344,400
<hr/>	

See accompanying notes to financial statements.

District School Board of Pinellas County

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

<i>Year ended June 30,</i>	2010
	Governmental Activities - Internal Service Fund
Operating Revenues	
Premium revenues	\$ 6,164,282
Operating Expenses	
Insurance claims	6,424,548
Operating income (loss)	(260,266)
Nonoperating revenues	
Interest income	363,844
Change in net assets	103,578
Net assets - beginning	5,800,781
Net assets - ending	\$ 5,904,359

See accompanying notes to financial statements.

District School Board of Pinellas County

Statement of Cash Flows
Proprietary Fund

<i>Year ended June 30,</i>	2010
	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from General and other funds	\$ 5,202,227
Cash payments for insurance claims and fees	(6,155,509)
Other payments	(31,065)
Net cash provided (used) by operating activities	(984,347)
Cash flows from investing activities	
Net reduction in pooled investments	614,255
Interest and dividends received	363,844
Net cash provided (used) by investing activities	978,099
Net increase (decrease) in cash and cash equivalents	(6,248)
Cash and cash equivalents, beginning of year	42,792
Cash and cash equivalents, end of year	\$ 36,544
Reconciliation of operating income (loss) to net cash used by operating activities	
Operating income (loss)	\$ (260,266)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable	451,648
Interest receivable	(31,065)
Due from other funds	(994,693)
Increase (decrease) in:	
Accounts payable	(99,418)
Due to other funds	32,638
Insurance claims payable	(83,191)
Net cash provided (used) by operating activities	\$ (984,347)

See accompanying notes to financial statements.

District School Board of Pinellas County

Statement of Fiduciary Funds

<i>June 30,</i>	2010
	Agency Fund
Assets	
Cash and cash equivalents	\$ 6,866,935
Other receivables	678,319
Due from other funds	65,886
Investments	47,438
Total assets	\$ 7,658,578
Liabilities	
Due to other funds	\$ 459,711
Internal accounts payable	7,198,867
Total liabilities	\$ 7,658,578

See accompanying notes to financial statements.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District School Board of Pinellas County, 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 Alderian School Association, Inc., The Athenian Academy, Inc., Imagine School at St. Petersburg, Imagine Middle School at St. Petersburg, Life Skills Center-North Pinellas, Inc., Life Skills Center Pinellas County, Inc., LifeForce Arts and Technology Academy, Inc., New Alternative Education High School of Pinellas County, Inc., Pinellas Preparatory Academy, Inc. and Plato Academy.

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 1001.453, 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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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

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, 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, with certain exceptions. 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 single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements. The District reports the following major governmental funds:

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

ARRA Economic Stimulus Fund – to account for funds received under the American Recovery and Reinvestment Act (ARRA) that are used for specific purposes.

Capital Projects – Local Capital Improvement Tax Fund (internally described as *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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the District reports the following fund types:

Internal Service Fund – to account for the District's individual self-insurance programs.

Fiduciary Fund - 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. In addition, to account for resources held by the District as custodian for others.

Basis of Accounting

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

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary 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 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. The principal exceptions to this general rule are: (1) prepaid items are generally not accrued; (2) interest on long-term debt is recognized as expenditures when due; and (3) expenditures related to liabilities reported as long-term debt 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 auto liability self-insurance and claims. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds are used to account for assets held in trustee or agency capacity for others and therefore cannot be used to support the District's basic programs. The District utilizes agency funds to account for individual schools' internal funds, which are used to administer moneys collected at the schools in connection with school, student athletic, class, and club activities.

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 governmental activities.

Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple 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 for current expenditures 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 (Florida Prime and Fund B), and those made locally.

The District's investments in Florida Prime, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is equivalent to amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool with a fair value factor of 0.67353149 at June 30, 2010. 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 Florida Prime account consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as a liquid balance once transferred to Florida Prime.

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. All are reported at fair value.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The District believes that all receivable balances are fully 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.

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 significant and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and fixed equipment	20 - 50 years
Improvements other than buildings	15 years
Furniture, fixtures and equipment	5 – 20 years
Motor vehicles	5 – 15 years
Audio visual materials and computer software	5 – 10 years
Property under capital leases	3 – 12 years

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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations, based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for 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 and Classrooms for Kids funds as deferred revenue until such time as an encumbrance authorization is received.

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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School Board adopted the 2010 tax levy in September 2009. Taxes become an enforceable lien on property as of January 1. Tax bills are mailed in October; and taxes are payable between November 1 of the year assessed and March 31 of the following year, at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the 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 significant, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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.

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.

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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 2 – BUDGETARY COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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.

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. However certain state categorical funds and other designated projects carry forward.

NOTE 3 – INVESTMENTS

As of June 30, 2010, the District had the following investments and maturities:

Investment	Fair Value	Six Months or Less	Greater Than Six Months to Two Years	Greater Than Two Years to Four Years	Greater Than Four Years to Six Years	Greater Than Six Years
Money Market Funds	\$ 24,082,779	\$ 24,082,779	\$ -	\$ -	\$ -	\$ -
SBA Florida Prime	129,965	129,965	-	-	-	-
SBA Fund B	1,135,623	-	-	-	1,135,623	-
Core Fund (Other Pooled Investments)	36,408,758	36,408,758	-	-	-	-
Non US Government/GSE Investments:						
Corporate Asset Backed Securities	21,136,483	21,136,483	-	-	-	-
Corporate Asset Backed Floating Rate Securities	5,504,000	-	-	5,504,000	-	-
Obligations of United States Government Agencies and Instrumentalities:						
Collateralized Mortgage Obligations Corporate Bonds	219,828,739	14,615,880	202,909,993	2,302,866	-	-
Collateralized Mortgage Obligations - Floating Rate	36,786,465	-	-	19,331,340	17,455,125	-
Total Investments Primary Government	\$345,012,812	\$ 96,373,865	\$ 202,909,993	\$ 27,138,206	\$ 18,590,748	\$ -

Interest Rate Risk

District policies limit the length of investments as follows: (1) the weighted average duration of the investment portfolio shall not exceed five years and (2) the maximum duration of any security purchased shall not exceed eight years. The District uses modified duration to determine the maturity of its investments in obligations of United States Government Agencies and Instrumentalities.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Credit Risk

The District's investments in obligations of the United States government, agencies and instrumentalities totaling \$256,615,204 are reported at fair value. These investments were rated AAA or A-1 by Standard and Poor's and Aaa or P-1 by Moody's investor Services.

Money market funds are selected with the highest credit quality rating from a nationally recognized rating agency. As of June 30, 2010, the District had investments in the Evergreen Institutional Prime money market fund, Aim Tax Exempt Fund, Fidelity Prime Fund and Morgan Stanley Prime Portfolio Money Market fund with a fair value of \$24,082,779. All funds are rated AAAM by Standard and Poor's and Aaa by Moody's investor Services.

Securities of an open end or closed end management type investment company of 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 \$36,408,758 in the Core Fund at June 30, 2010. The Core Fund is a short-term U.S. government bond fund. This fund was rated AAAf by Standard and Poor's.

The District's non-governmental investments consisting of corporate asset backed securities are recorded at fair value of \$26,640,483. All funds are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.

The \$129,965 investments in the State Board of Administration's Florida Prime Fund are rated AAAM. The District also has \$1,135,623 in the SBA's Fund B, which is unrated.

Custodial Credit Risk

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 safekeeping by a third party custodian. District's investments totaling \$283,255,687 are held by the District's custodial agent in the name of the District. The remaining investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentrations of Credit Risk

The District's investment policy does not limit the amount the District may invest in any one issuer.

Foreign Currency Risk

The District has no investments exposed to foreign currency risk.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 37,704,546	\$ 23,753,196
ARRA Economic Stimulus Funds	82,098	2,370,688
Capital Projects:		
Local Capital Improvement Tax Fund	1,895,683	15,425,482
Nonmajor Governmental Funds	2,535,951	4,249,020
Internal Service Funds	4,008,512	34,579
Fiduciary Funds	65,886	459,711
	\$ 46,292,676	\$ 46,292,676

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	\$ 12,295,564	\$ -
Capital Projects:		
Local Capital Improvement Tax Fund	-	11,616,367
Nonmajor Governmental Funds	-	679,197
	\$ 12,295,564	\$ 12,295,564

Transfers of \$3,645,771 were made from the Local Capital Improvement Tax Fund for capital outlay expenditures that were incurred in the General Fund. Also, transfers of \$7,970,596 were made from the Local Capital Improvement Tax Fund for property liability insurance expenditures that were incurred in the General Fund. The \$679,197 transfer from Nonmajor Governmental Funds to the General Fund for capital outlay disbursements to the charter schools.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 5 – CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 96,518,549	\$ 52,467	\$ -	\$ 96,571,016
Land Improvements - Non-depreciable	22,717,599	-	-	22,717,599
Construction in Progress	75,001,775	24,036,828	60,810,669	38,227,934
Total Capital Assets Not Being Depreciated	194,237,923	24,089,295	60,810,669	157,516,549
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	1,959,491,548	171,225,165	1,200,577	2,129,516,136
Improvements other than Building	6,433,818	1,252,368	-	7,686,186
Furniture, Fixtures and Equipment	139,121,923	22,437,743	16,196,807	145,362,859
Motor Vehicles	63,697,143	1,182,084	6,647,507	58,231,720
Property Under Capital Lease	55,875,622	9,241,271	19,991,109	45,125,784
Audio Visual and Computer Software	14,835,573	1,467,054	1,020,530	15,282,097
Total Capital Assets Being Depreciated	2,239,455,627	206,805,685	45,056,530	2,401,204,782
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	489,829,944	42,322,575	-	532,152,519
Furniture, Fixtures and Equipment	97,150,708	12,131,848	14,903,048	94,379,508
Improvements other than Building	884,574	512,412	-	1,396,986
Motor Vehicles	34,688,162	4,235,722	6,143,539	32,780,345
Property Under Capital Lease	24,801,740	8,210,352	14,260,992	18,751,100
Audio Visual and Computer Software	12,419,564	952,674	627,265	12,744,973
Total Accumulated Depreciation	659,774,692	68,365,583	35,934,844	692,205,431
Total Capital Assets Being Depreciated, Net	1,579,680,935	138,440,102	9,121,686	1,708,999,351
Governmental Activities Capital Assets, Net	\$ 1,773,918,858	\$ 162,529,397	\$ 69,932,355	\$ 1,866,515,900

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

During fiscal year 2008-2009 as a result of declining enrollment, the District closed five schools. No additional schools were closed during the 2009-2010 fiscal year.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 5 – CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Instruction	\$ 4,738,796
Pupil personnel services	69,961
Instructional media services	105,334
Instruction and curriculum development services	155,243
Instructional staff training	62,743
Instructional related technology	5,389,040
Board of Education	3,062
General administration	77,470
School administration	59,088
Facilities acquisition and construction	10,261,071
Fiscal services	23,037
Food service	403,409
Central services	78,645
Pupil transportation services	268,771
Operation of plant	81,937
Maintenance of plant	84,675
Administrative technology	22,086
Community services	4,548
Unallocated	46,476,667
	\$ 68,365,583

NOTE 6 – CHANGES IN SHORT-TERM DEBT

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Tax anticipation notes	\$ -	\$ 60,000,000	\$ 60,000,000	\$ -
Total Governmental Activities	\$ -	\$ 60,000,000	\$ 60,000,000	\$ -

Tax anticipation notes were sold in October 2009 for the payment of operating expenses incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes. The notes carried an interest rate of 1.5% and were secured by the future ad valorem tax receipts. The notes were due by June 30, 2010 and were redeemed before that date.

District School Board of Pinellas County

Notes to Financial Statements

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 \$42,012,934.

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

	Total	Principal	Interest
2011	\$ 10,068,471	\$ 9,168,570	\$ 899,901
2012	5,646,797	5,269,743	377,054
2013	1,279,830	1,227,859	51,971
	<u>\$ 16,995,098</u>	<u>\$ 15,666,172</u>	<u>\$ 1,328,926</u>

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

NOTE 8 – BONDS PAYABLE

Bonds payable at June 30, 2010, were as follows:

	Amount	Interest Rates (Percent)	Maturity
State School Bonds:			
Series 2001-A	\$ 235,000	4.2-5.0	2021
Series 2001-B, Refunding	29,720,000	5	2020
Total Bonds Payable	<u>\$ 29,955,000</u>		

The State School Bonds were 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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 8 – BONDS PAYABLE (CONTINUED)

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

	Total	Principal	Interest
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	3,994,225	3,040,000	954,225
2016-2020	18,397,750	16,030,000	2,367,750
2021	15,750	15,000	750
	\$ 38,484,064	\$ 29,955,000	\$ 8,529,064

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Governmental Activities:					
Compensated absences payable	\$ 109,548,276	\$ 5,773,832	\$ 10,449,267	\$ 104,872,841	\$ 10,449,267
Estimated insurance claims payable	18,488,653	4,008,512	4,044,715	18,452,450	6,345,354
Bonds payable	32,360,000	-	2,405,000	29,955,000	2,530,000
Post employment health care benefits	4,707,683	5,318,139	2,229,680	7,796,142	-
Obligations under capital leases	20,350,543	9,241,271	13,925,642	15,666,172	9,168,570
Total	\$ 185,455,155	\$ 24,341,754	\$ 33,054,304	\$ 176,742,605	\$ 28,493,191

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

NOTE 10 – 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 2010 - 2011 fiscal year budget as a result of purchase orders outstanding at June 30, 2010

District School Board of Pinellas County

Notes to Financial Statements

NOTE 11 - SCHEDULE OF STATE REVENUE SOURCES

The District's State revenue for the year ended June 30, 2010 follows:

Florida Education Finance Program	\$ 145,838,849
Categorical Educational Program - Class Size Reduction	113,156,599
Excellent teacher	8,228
Workforce development program	23,752,635
Gross receipts tax (Public Education Capital Outlay)	2,232,246
Florida school recognition program	3,796,279
District discretionary lottery funds	296,202
Motor vehicle license tax (Capital outlay and Debt Service)	4,554,813
Mobile home license tax	566,395
Adults with disabilities	528,528
Food service supplement	544,971
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	679,198
Voluntary Pre-K	1,238,498
Miscellaneous	1,701,462
	\$ 299,118,153

NOTE 12 – PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-2010 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.348	\$ 373,538,033
Basic Discretionary Local Effort	0.748	52,245,035
Discretionary Critical Needs	0.250	17,461,576
Voted School Tax:		
Local Referendum	0.500	34,923,152
<hr/>		
Total General Fund:	6.846	478,167,796
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	1.500	104,769,456
<hr/>		
Total General And Capital Funds:	8.346	\$ 582,937,252

District School Board of Pinellas County

Notes to Financial Statements

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 on 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, which may include up to four years of credit for military service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

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.

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

Notes to Financial Statements

NOTE 13 – STATE RETIREMENT PROGRAM (CONTINUED)

Funding Policy

The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2009-2010 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System:		
Regular	-	9.85
County Elected Officers	-	16.53
Senior Management Service Class	-	13.12
Special Risk	-	20.92
Reemployed Retiree	-	9.85
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Plan	-	10.91

(A) Employer rates include the postemployment health insurance supplement 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, 2008, 2009, and 2010 totaled \$53,807,215, \$57,381,075 and \$55,875,700 respectively, which were equal to the required contributions for each fiscal year.

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 \$8,692,357 for the period ended June 30, 2010.

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, 2010 were \$11,613,522 and \$2,531,659 respectively. In addition, the District has available a Roth 403(b) that employees may elect. Contributions to the Roth 403(b) totaled \$859,384 for 2010.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 14 – TAX DEFERRAL PLANS AND OTHER BENEFITS (CONTINUED)

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, 2010 was \$92,059,640.

NOTE 15 - CONSTRUCTION CONTRACT COMMITMENTS

The District had no major construction contract commitments at fiscal year end 2009-2010. Due to the requirements of the Class Size Amendment minor construction was undertaken to add rooms to house the students in lesser amounts per classroom.

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.

At June 30, 2010, a liability of \$18,452,680 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:

		Current-Year Additions			
	Beginning of Year	Claims	Claims Payments	End of Year	
2009	\$ 20,154,490	\$ 3,374,711	\$ (5,040,548)	\$ 18,488,653	
2010	18,488,653	4,008,512	(4,044,485)	18,452,680	

District School Board of Pinellas County

Notes to Financial Statements

NOTE 16 – RISK MANAGEMENT PROGRAMS (CONTINUED)

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 the 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 cost 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 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. For the 2009-10 fiscal year, the District provided required contributions of \$1,754,549 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 \$6,044,878. Required contributions are based on projected pay-as-you-go financing.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 17 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

<i>Fiscal Year Ending June 30,</i>	2010
(1) Normal Cost	\$ 3,019,393
(2) Amortization of Unfunded Accrued Liability	1,617,948
(3) Interest	185,494
(4) Annual Required Contribution	4,822,835
(5) Interest on Net OPEB Obligation (NOO)	188,307
(6) Amortization of NOO	(168,134)
(7) Total Expense or Annual OPEB Cost (AOC)	4,843,008
(8) Actual Contribution Toward OPEB Cost	(1,754,549)
(9) Increase in NOO	3,088,459
(10) NOO Beginning of Year	4,707,683
(11) NOO End of Year	\$ 7,796,142

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, 2010 and the two preceding years, are as follows:

Fiscal Year	AOC	Contribution	Percent of AOC Contributed	NOO
2007/2008	\$ 6,880,682	\$ 2,703,921	39.3%	\$ 4,176,761
2008/2009	4,585,866	4,054,944	88.4%	4,707,683
2009/2010	4,843,008	1,754,549	36.2%	7,796,142

Funded Status and Funding Progress

As of June 30, 2010, the actuarial accrued liability for benefits was \$43,156,329, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$43,156,329. The covered payroll (annual payroll for active participating employees) was \$573,422,403 for the fiscal year 2009-10, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.5%.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 17 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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 the future employment and termination, mortality and the health care 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.

Actuarial Methods and Assumptions

Projections of health 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 August 27, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 10.5 percent for the 2009-10 fiscal year, uniformly to an ultimate rate of 5.5 percent after six years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 27 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 significant 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 of 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 disallowances resulting from a Federal audit may become a liability of the District. The District does not believe that any significant liabilities would result from any review of its expenditures of Federal programs.

Required Supplementary
Information

District School Board of Pinellas County
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund

Year ended June 30,

2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal direct	\$ 185,000	\$ 326,704	\$ 326,704	\$ -
Federal through state	2,000,000	2,717,152	2,717,152	-
State sources	300,014,667	290,766,438	290,766,438	-
Local sources	479,270,705	480,881,884	481,139,356	257,472
Total revenues	781,470,372	774,692,178	774,949,650	257,472
Expenditures				
Instruction	499,327,836	492,941,831	483,133,347	9,808,484
Pupil personnel services	32,467,319	33,069,745	32,827,738	242,007
Instructional media services	11,243,468	11,786,515	11,676,176	110,339
Instructional and curriculum development	7,719,433	9,026,357	8,994,306	32,051
Instructional staff training	4,523,781	6,107,251	6,088,305	18,946
Instruction related technology	2,281,060	2,710,922	2,688,793	22,129
Board of education	2,980,160	1,924,083	1,895,492	28,591
General administration	3,103,409	3,293,502	3,256,890	36,612
School administration	51,679,279	54,200,479	53,877,326	323,153
Facilities acquisition and construction	926,806	516,487	474,327	42,160
Fiscal services	4,255,562	4,893,957	4,858,915	35,042
Food services	-	164,780	164,780	-
Central services	11,575,653	13,117,159	12,901,631	215,528
Pupil transportation services	33,584,983	34,077,243	33,984,108	93,135
Operation of plant	79,024,746	83,652,225	83,189,082	463,143
Maintenance of plant	20,642,769	24,185,870	22,743,145	1,442,725
Administrative technology services	5,056,814	5,654,814	5,419,953	234,861
Community services	594,954	1,057,918	1,057,376	542
Fixed capital outlay:				
Facilities acquisition and construction	166,311	166,311	166,311	-
Other capital outlay	3,876,039	3,876,039	3,876,039	-
Total expenditures	775,771,857	786,863,961	773,679,849	13,184,112
Excess (deficiency) of revenues over expenditures	5,698,515	(12,171,783)	1,269,801	13,441,584
Other financing sources (uses)				
Loss recoveries	(500,000)	205,912	205,911	1
Transfers in	14,000,000	12,295,564	12,295,564	-
Total other financing sources and (uses)	13,500,000	12,501,476	12,501,475	1
Net change in fund balances	19,198,515	329,693	13,771,276	13,441,583
Fund balances - beginning	69,310,810	69,310,810	69,310,810	-
Fund balances - ending	\$ 88,509,325	\$ 69,640,503	\$ 83,082,086	\$ 13,441,583

District School Board of Pinellas County
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
ARRA Economic Stimulus Funds

Year ended June 30,

2010

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal through state	\$ 18,481,426	\$ 87,663,753	\$ 60,944,402	\$ (26,719,351)
Total revenues	18,481,426	87,663,753	60,944,402	(26,719,351)
Expenditures				
Current:				
Instruction	16,201,180	75,497,331	51,109,013	24,388,318
Pupil personnel services	60,083	1,538,225	853,920	684,305
Instructional and curriculum development	59,154	653,156	423,669	229,487
Instructional staff training	-	6,087,967	5,676,707	411,260
General administration	3,105	1,113,313	336,544	776,769
Pupil transportation services	-	480,986	268,658	212,328
Operation of plant	1,985	8,146	-	8,146
Fixed capital outlay:				
Other capital outlay	2,275,891	2,275,891	2,275,891	-
Total expenditures	18,481,426	87,663,753	60,944,402	26,719,351
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

District School Board of Pinellas County

Schedule of Funding Progress for Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/08	\$ -	\$ 70,535,701	\$ 70,535,701	0.00%	\$ 620,452,815	11.4%
6/30/09	-	43,091,189	43,091,189	0.00%	602,033,272	7.2%
6/30/10	-	43,156,329	43,156,329	0.00%	573,422,403	7.5%

Supplementary Information

District School Board of Pinellas County
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2010

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass-Through Grantor Number	Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
Food Distribution	10.555	300	\$ 1,901,973	\$ -
Florida Department of Education:				
National School Lunch	10.555	300	18,432,556	-
Nutrition Fresh Fruit and Vegetable	10.556	310	34,321	-
Summer Food Service Program for Children	10.559	323	170,267	-
School Breakfast	10.553	321	4,403,717	-
Total Child Nutrition Cluster			24,942,834	-
ARRA - Food Service Equipment	10.579	371	131,179	-
Total United States Department of Agriculture			25,074,013	-
United States Department of Labor:				
Indirect:				
WorkNet Pinellas, Inc.:				
WorkNet Clean Energy	17.268	None	82,841	-
Total United States Department of Labor			82,841	-
United States Department of Education:				
Direct:				
Pell Grant Program	84.063	N/A	2,941,404	-
Impact Aid	84.041	N/A	17,853	-
Alcohol Abuse Reduction	84.184A	N/A	383,862	-
Smaller Learning Communities	84.215L	N/A	816,061	-
Partnerships in Character Education	84.215S	N/A	323,552	-
Teaching American History	84.215X	N/A	229,484	-
Foreign Language Assistance	84.293B	N/A	58,317	-
Total Direct			4,770,533	-

(continued)

See accompanying notes to the schedule of expenditures of federal awards

District School Board of Pinellas County
Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2010

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass-Through Grantor Number	Expenditures	Amount Provided to Subrecipients
Indirect:				
Recovery Act Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Education Fund	84.394	591	36,264,174	-
ARRA - State Fiscal Stabilization Gvt Services Fund	84.397	592	1,523,119	-
ARRA - Dale Hickman Excellent Teaching Program	84.397	592	1,812,792	-
ARRA - Learning for Life	84.397	592	66,972	-
Total Recovery Act Cluster			39,667,057	-
Special Education Cluster (IDEA):				
Florida Department of Education:				
IDEA - ATD - Special Projects	84.027A	262	1,440,552	-
IDEA - ATD - Entitlement	84.027A	263	26,156,866	100,000
ARRA - IDEA Part B	84.391A	263	6,952,328	-
Preschool Grant ATD Special Projects	84.173A	266	214,065	-
Preschool Handicapped Grant	84.173A	267	705,411	-
ARRA - IDEA Part B Preschool	84.392A	267	341,860	-
University of South Florida:				
Problem Solving Response	84.027	1725-1024-00-E	89,611	-
Total Special Education Cluster			35,900,693	100,000
Title I, Part A Cluster:				
Florida Department of Education:				
Title I - Part A and D	84.010A	212	21,611,905	299,349
ARRA - Title I, Part A	84.389	212	9,884,490	-
ARRA - Title I, Part D	84.389	223	3,708,762	-
Total Title I, Part A Cluster			35,205,157	299,349
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Technology Literacy Challenge Fund	84.318	121	240,110	-
ARRA - Educational Technology Entitlement	84.386	121	247,288	-
Total Educational Technology State Grants Cluster			487,398	-

(continued)

See accompanying notes to the schedule of expenditures of federal awards

District School Board of Pinellas County
Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2010

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass-Through Grantor Number	Expenditures	Amount Provided to Subrecipients
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Homeless Children and Youth	84.196A	127	59,157	-
ARRA - Title X, Part C, NCLB, Homeless Education	84.387	127	11,439	-
Total Education for Homeless Children and Youth Cluster			70,596	-
Florida Department of Education:				
Adult Basic Education	84.002	191	1,303,943	-
Title I, Part D	84.013	223	885	-
Carl Perkins - Flow Thru	84.048	151	1,801,827	-
Drug Free Schools	84.186	103	414,297	-
Even Start Family Literacy Title I, Part B	84.213	219	300,094	-
Charter Schools Federal Grant Program	84.282	298	945,000	945,000
Reading First	84.357A	211	15,223	-
Title III, No Child Left Behind - LEP Immigrant	84.365A	102	739,167	-
Title II, Part A - Teacher and Principal Training	84.367A	224	5,026,234	-
Title I, School Improvement	84.377	102	24,188	-
Enhanced Instruction Opportunity for Immigrants	84.365	226	57,236	-
Total Indirect			10,628,094	945,000
Total United States Department of Education			126,729,528	1,344,349
United States Department of Health and Human Services:				
Indirect:				
Pinellas County Health Department:				
STEPS Project - Contract PS-826	93.283	None	132,697	-
Florida Department of Education:				
Florida Refugee Parent Outreach	93.576	137	78,954	-
Florida Department of Children and Families:				
Refugee Education	93.566	LK794	866,075	-
Total Indirect			1,077,726	-
Total United States Department of Health and Human Services			1,077,726	-

(continued)

See accompanying notes to the schedule of expenditures of federal awards

District School Board of Pinellas County
 Schedule of Expenditures of Federal Awards (Continued)
 For The Year Ended June 30, 2010

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass-Through Grantor Number	Expenditures	Amount Provided to Subrecipients
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Communications Equipment Technology	97.067	532	34,796	-
Total Indirect			34,796	-
Total United States Department of Homeland Security			34,796	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	12.	N/A	176,828	-
Navy Junior Reserve Officers Training Corps	12.	N/A	63,720	-
Marine Corps Junior Reserve Officers Training Corps	12.	N/A	61,897	-
Total Direct			302,445	-
Indirect:				
Florida Department of Military Affairs:				
National Guard First Responder Academy	12.401	None	3,263	-
Total Indirect			3,263	-
Total United States Department of Defense			305,708	-
Total Expenditures of Federal Awards			\$ 153,304,612	\$ 1,344,349

See accompanying notes to the schedule of expenditures of federal awards

District School Board of Pinellas County
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2010

Note A - Basis of Presentation

The schedule of expenditures of federal awards presents the activity of all federal awards programs of the District School Board of Pinellas County and is presented in the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133; *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - 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 Section

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the District School Board of Pinellas County
and Julie Janssen, Superintendent of Schools
Largo, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Pinellas County (District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the discretely presented component unit financial statements of several charter schools as described in our report on the District School Board of Pinellas County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above, described in the accompanying schedule of findings and questioned costs, Finding 2010-1. We also identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and

questioned costs that we consider to be a significant deficiency, Finding 2010-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matter that we reported to management of the District in a separate letter dated March 21, 2011.

This report is intended solely for the information and use of District management, the School Board, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

Clearwater, Florida
March 21, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the District School Board of Pinellas County
and Julie Janssen, Superintendent of Schools
Largo, Florida

Compliance

We have audited the compliance of the District School Board of Pinellas County (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010. 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 District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-3, 2010-4, and 2010-5.

Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of District management, the School Board, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Caru, Riggs & Ingram, L.L.C.

Clearwater, Florida
March 21, 2011

District School Board of Pinellas County
 Schedule of Findings and Questioned Costs
 For The Year Ended June 30, 2010

Summary of Audit Results

As required by United States Office of Management and Budget *Circular A-133*, Section 505, the following is a summary of the results of the audit of the District School Board of Pinellas County for the fiscal year ended June 30, 2010:

- The auditor's report expresses an unqualified opinion on the basic financial statements of the District School Board of Pinellas County (the District).
- One significant deficiency and one material weakness relating to the audit of the basic financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- No instances of noncompliance material to the basic financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
- The auditor's report on compliance for the major federal award programs for the District is unqualified.
- There were three (3) audit findings relative to the major federal award programs for the District.
- The programs tested as major programs included:

<u>Program</u>	<u>CFDA #</u>	<u>Expenditures</u>
Child Nutrition Cluster	10.555, 10.556 10.553, 10.559	\$24,942,834
Recovery Act Cluster	84.394, 84.397	39,667,057
Special Education Cluster	84.027, 84.173 84.391, 84.392	35,800,693
Title I Cluster	84.010, 84.389	34,905,808
Education Technology State Grants Cluster	84.318, 84.386	487,398

- The threshold for distinguishing between Types A and B programs was \$3,000,000.
- The District did not qualify as a low-risk auditee, as defined in *OMB Circular A-133*.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

Findings – Financial Statement Audit

Material Weakness

Finding 2010-1: 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

As part of our audit procedures, we noted numerous audit adjustments, reclassification entries and changes to disclosures that were required so the financial statements would be presented in accordance with generally accepted accounting principles. A summary of those items are described below:

1. There was approximately \$260,000 of previously forfeited flexible spending account funds that were now the property of the District that needed to be recognized.
2. There was approximately \$660,000 of due from other agencies that needed to be written off due to the receivable becoming uncollectible.
3. There was \$375,000 of improperly excluded expenditures from account payable as of June 30, 2010 that needed to be recorded.
4. The liability for the self-insurance reserves had to be reclassified from accounts payable to the estimated liability for claims adjustment.
5. In addition to the entries explained above there were various entries related to capital assets, described below, that impact the presentation of the financial statements.
6. There were several changes to footnote disclosures in order to be consistent with operating results.

Cause

The District does not appear to have strong financial reporting review procedures in place for manual and infrequently occurring transactions and procedures.

Effect

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

Recommendation

The District should review and establish internal control policies and procedures to ensure that all manual or infrequent transactions or procedures are reviewed by at least one additional member of management. This material weakness continues to be prevalent from the prior year.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

Significant Deficiency

Finding 2010-2: Capital Assets

Criteria

Capital assets, capital outlays and assets under capital leases should be reported in accordance with generally accepted accounting principles.

Condition

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

1. Approximately \$34,900,000 had to be reclassified from facilities acquisition and construction to Buildings and Fixed Equipment to correctly state the transfer of completed CIP projects to buildings.
2. There was an adjustment of approximately \$1,900,000 relating to improperly capitalized operating lease payments that had to be expensed during the year.
3. There were four total adjustments relating property under capital lease. Originally the current year disposals were overstated by approximately \$11,300,000 which had to be adjusted and two related adjustments to depreciation and accumulated depreciation were also needed. There was also one additional adjustment relating depreciation of a different set of property under capital lease.
4. Management does not review fixed assets impairment. Closed and/or vacant properties meet the definition of a triggering event and require analysis for impairment. One such facility was determined to have book value in excess of fair value that required fixed asset impairment in the amount of approximately \$1,200,000.

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. Proper review of procedures at all levels is important to the accuracy of accounting transactions surrounding capital assets. This significant deficiency continues to be prevalent from the prior year.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

Findings and Questioned Costs for Major Federal Award Programs

Finding 2010-3: Reporting – Schedule of Expenditures of Federal Awards

Federal Agency:	Various
State Agency:	Florida Department of Education
Program:	Various
CFDA #:	Various
Award #:	Various
Award Year:	Various

Criteria

OMB Circular A-133, Section __.310 along with the OMB Circular A-133 Audit Guide, outline minimum reporting requirements for the Schedule of Expenditures of Federal Awards (the “Schedule”). At a minimum, the Schedule should include a list of individual federal awards by federal agency, list individual federal programs within a cluster of programs, provide the names of any pass-through entities and the identifying numbers assigned by those entities, and provide total awards expended for each individual program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

The process used by the District to properly classify awards on the Schedule is manually-intensive and involves several manual iterations of sorting and aggregation of data. During our review of the Schedule prepared by the District we noted errors regarding clustering of awards, identification of pass-through entity information, identification of funding agencies, identification of CFDA numbers, and the improper inclusion of fixed-price contracts.

Cause

The Special Projects Department, in conjunction with the project managers, is responsible for providing the Financial Reporting Department with the Award Notification and all documentation necessary to correctly identify grant information necessary for reporting purposes. Financial Reporting manually enters award information into a Microsoft Excel spreadsheet for Schedule presentation. A secondary review of the Schedule is not performed.

Effect

Certain grants and awards within the Schedule were misclassified. Incorrect classification of grants can result in misapplication of compliance requirements and special provisions. The justification of compliance could also be scrutinized by agencies when awards are misclassified.

The manual process used in the creation of the Schedule can result in inadvertent errors.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

Recommendation

We recommend that Financial Reporting update policies and procedures related to communication with the Special Projects Department and Program Managers to ensure the classification of awards is properly recorded. We also recommend that the Special Projects Department perform a periodic review of the award information utilized for Schedule preparation to ensure that all information is accurate and up-to-date.

We recommend that the District implement a system-generated grant accounting and reporting process to alleviate the manual revisions made to the Schedule. Until the District has the opportunity to automate the grant reporting system, the District should implement a secondary review of the Schedule to reduce the possibility of any human errors during preparation.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

Finding 2010-4: Allowable Costs Internal Controls

Federal Agency:	Various
State Agency:	Florida Department of Education
Program:	Various
CFDA #:	Various
Award #:	Various
Award Year:	Various

Criteria

34 CFR 80.36 states, "grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements conform to applicable Federal law and the standards identified in this section."

District policy states that goods must be received prior to payment of the related vendor invoice.

Condition

District policy allows for goods to be received via electronic acknowledgement in the TERMS software. The A25 screen allows departments to enter the date of receipt of merchandise. This electronic acknowledgement of receipt by the Department populates the screen utilized by the Accounts Payable Department when determining authorization to pay invoices.

During our review of expenditures, we noted that receiving dates on the A25 screen can be manually overwritten by the receiving department and by the Purchasing Department. We noted 4 instances out of a sample of 31 where the Purchasing Department inadvertently overwrote the department's receiving date.

The TERMS system allows for any date to be entered as the receiving date even if the date entered precedes the current date or the date of the purchase order. The date entered at the time of receipt can also be overwritten at any point subsequent to the originally entry date.

During our review of expenditures we also noted that the A25 screen does not allow for partial receipt of goods ordered on one purchase order. When partial receiving is necessary, the receiving Department emails the Accounts Payable Department to alert them that a partial receipt was made.

Cause

The TERMS system allows departments to manually overwrite the receiving date automatically populated by the software on the date of access. TERMS does not maintain a record of partially recorded purchase orders.

Effect

The Accounts Payable Department relies on the receipt date in the TERMS software when authorizing invoice payment. An incorrect or erroneously entered date can result in the payment of an invoice prior to the receipt of associated merchandise.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

An email identifying partial receipt of merchandise could be inadvertently misplaced and not appropriately maintained for record keeping purposes.

Recommendation

We recommend that the District add a feature to the software program that automatically populates the date with the date the A25 screen is accessed. The program should not allow for manual overwrites and should verify that the purchase order entered is valid.

We also recommend that the District restrict the ability to edit the A25 screen to departments that receive goods. The Purchasing Department should be limited to read-only access.

The District should also update the A25 screen to allow for partial receiving and a purchase order history so that any partial receipts will not be overwritten once all merchandise is received.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2010

Finding 2010-5: Record Retention

Federal Agency:	United States Department of Agriculture
State Agency:	Florida Department of Education
Program:	Child Nutrition Cluster
CFDA #:	10.553, 10.555, 10.556 and 10.559
Award #:	321, 300, 310, 323
Award Year:	Various

Criteria

7 CFR 210.20(a)(1) states that participating State agencies are required to maintain records to demonstrate compliance with Program requirements. The records include but are not limited to accounting records and source documents to control the receipt, custody and disbursement of Federal Program funds as required under section 210.5(a).

The Florida Department of Education, the District's pass-through grantee, provides guidance in its Green Book that states that 34 CFR 80.42(a)(1) requires retention of "all financial and programmatic records, supporting documents, statistical records, and other records of grantees or sub-grantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement."

Records are to be retained for five years from the starting date as defined in the Green Book.

Condition

A detail of meals provided per student by the District was not retained for Bellair Elementary School for the 2009-2010 school year.

Cause

The point of sale system utilized at Bellaire Elementary was not online at the time of system backup.

Effect

By not having a backup of the point of sale system, Bellaire Elementary is unable to provide a participant listing of each meal served during the year which includes free and reduced meals. As such, we were unable to substantiate total meals provided on an individual meal basis. In addition, we were unable to verify eligibility for students receiving free and reduced meals.

Recommendation

We recommend that the District establish additional procedures to ensure that all systems are backed up at the end of each school year.

District School Board of Pinellas County
Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2010

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

Audit Report and Schedule Paragraph No.	Program	Brief Description	Status
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There were no audit findings in the prior year.

District School Board of Pinellas County
Corrective Action Plan
For the Year Ended June 30, 2010

2010-1: Financial Reporting

The District will enhance its procedures for the preparation of the year-end schedules, which culminate in the annual financial report. Periodic review throughout the year will insure that the data in TERMS is correctly classified for proper reporting at year-end. Duties and responsibilities will be further segregated between staff preparing the annual financial reports. Management is committed to accurate financial reporting.

Finding 2010-2: Capital Assets

The District is conducting a comprehensive review of the fixed asset additions and deletions. The Director of Accounting is working with the Education Specifications Specialist. Together they are performing a thorough review of the subsidiary ledger. Once complete, the Chief Finance Officer will review the proposed corrections and adjustments and the necessary adjustments made to the subsidiary ledger and to the balances in the TERMS system.

Finding 2010-3: Reporting- Schedule of Expenditures of Federal Awards

Past preparation of the Schedule of Expenditures of Federal Awards (SEFA) had been arranged in numerical order of CFDA numbers, broken down by Federal department. We will now amend that process so as to cluster like awards rather than list awards strictly by CFDA number. We will arrange for a review of the schedule, either internally or externally, prior to publication.

Finding 2010-4: Allowable Cost Internal Controls

The A25 panel which allowed goods to be received via electronic acknowledgement had been disabled. When anyone attempts to enter an electronic receipt on the A25 panel, a message will appear which says, "Panel no longer available please send gray receiver to the Accounting Department".

Finding 2010-5: Eligibility

Weekly back-up of all point of sale transactions, at all school-based sites, will be made. The back-up data will be maintained on a separate computer server and tested throughout the school year to assure the data is retrievable at all times. At the end of the school year, another system-wide back-up will be made and tested, prior to the annual update for the new school year.

MANAGEMENT LETTER

To the District School Board of Pinellas County
and Julie Janssen, Superintendent of Schools
Largo, Florida

We have audited the financial statements of the District School Board of Pinellas County (the District), as of and for the year ended June 30, 2010, and have issued our report thereon dated March 21, 2011.

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 Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 21, 2011, 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 governs 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 corrections have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report except as noted below in Appendix B - Prior Year Findings and Recommendations.

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, we determined that the District complied with Section 218.415, Florida Statutes.

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. In connection with our audit, we did not have any such recommendations.

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 occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreement, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. See our recommendations below under the header Appendix A - Current Year Recommendations.

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 condition(s) met. As reported in the accompanying Statement of Net Assets, the District reports an unrestricted net assets deficit of \$25,318,683 at June 30, 2010.

Pursuant to Sections 10.804(l)(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 same.

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

Carly Riggs & Ingram, L.L.C.

Clearwater, Florida
March 21, 2011

District School Board of Pinellas County
Appendix A – Current Year Recommendations
For the Year Ended June 30, 2010

Journal Entries

Our review of the general journal entries revealed that many entries lack proper approval by management. We recommend the adoption of a policy whereby all journal entries will be approved by the controller or other designated member of management. All entries should be initialed not only by the preparer, but also the individual approving them in order to attribute responsibility to the appropriate individuals. We also noted that the explanations and supporting documentation accompanying the entries were inadequate in many instances. All journal entries should be accompanied by full explanation and adequate supporting data. Such an approval process would help detect inaccurate or fraudulent financial reporting.

Recommendation: We recommend that management implement further controls over journal entries to ensure all journal entries are subject to some level of supervisory review.

Employee Time Certifications

Semi-annual certifications are required to be submitted to the Special Projects Department. Upon review of employee certifications, we noted several instances where certifications were turned in months after the due date after multiple requests were made by the Special Projects Department. Employee certifications document compliance that federally funded personnel are performing duties based on their funded position.

Recommendation: We recommend that management create official employee time certification policies and procedures and incorporate these policies as part of District approved policies and procedures. Employee time certifications should be submitted to the Special Projects Department in a timely manner in order to reduce risk of noncompliance.

Information Technology

Risk Assessment

We noted a formalized IT risk assessment has not been completed. A risk assessment is a process by which to determine what information resources exist that require protection, and to understand and document potential risks from IT security failures that may cause loss of information confidentiality, integrity, or availability. The purpose of a risk assessment is to help management create appropriate strategies and controls for stewardship of information assets. All risks to IT systems should be clearly identified and scored by likelihood and exposure. This should be considered when technology is added or changed. Preferably, risks are considered prior to changes in order to provide a complete impact analysis on the overall system. The risk assessment serves as a basis for the IT security policy.

Recommendation: We recommend the School System complete a formalized IT risk assessment annually or when a significant change in technology occurs. This recommendation was included in the prior year.

District School Board of Pinellas County
Appendix A – Current Year Recommendations
For the Year Ended June 30, 2010

Access to Programs, Data and General Security

Access Issue 1: User access should be periodically evaluated by management to ensure all access is appropriate for job roles. We evaluated user access to determine all application access is properly reviewed under a “least privilege required” basis. It was noted that a regular review of user access for applications and networks is not documented.

Recommendation: We recommend user access to applications and the network be conducted on a regular basis with proper approvals documented. This recommendation was prevalent in the prior year.

Access Issue 2: We noted that there is no formalized tracking system (with approval capability) used for user’s access requests, application or system issues. Use of a centralized tracking system with approvals would ensure proper request and approvals for user access or removal and the ability to track application or system issues including requests for program changes.

Recommendation: We recommend that management consider implementing a tracking system.

General Security Issue 1: An IT security policy has not been developed. A sound IT security policy provides structure and guidance to all aspects of IT security such as access control to files, applications, and the network. Without a clear policy in place security may become fragmented.

Recommendation: We recommend that management consider completing an IT security policy.

Program Changes and System Development

A change and patch management policy is integral to maintain control and configuration changes for not only the MRP system, but the hardware and operating systems it resides on. Stable and managed production environments require that implementation of changes be predictable and repeatable, following a controlled process that is defined, monitored, and enforced. We noted change and patch management process are not tracked in a centralized database.

Recommendation: Management should consider implementing a formalized change and patch management process to include a centralized patch management database. This recommendation was prevalent in the prior year.

Disaster Recovery and Business Continuity

A recovery/business continuity plan should be formalized. A disaster recovery plan covers both the hardware and software required to run critical business applications and the associated processes to transition smoothly in the event of a natural or human-caused disaster. To plan effectively, a formalized assessment of mission-critical business processes and associated applications should be identified in the risk assessment and a full disaster recovery plan documented and tested.

District School Board of Pinellas County
Appendix A – Current Year Recommendations
For the Year Ended June 30, 2010

Recommendation: We recommend a disaster recovery and business continuity plan should be formalized that addresses the following: hardware, software, programming, vendors, WAN, alternate facilities, and data recovery. This recommendation was prevalent in the prior year.

District School Board of Pinellas County
Appendix A – Management Response to Current Year Recommendations
For the Year Ended June 30, 2010

Journal Entries

The Director of Accounting and the Director of Cash Management review monthly the journal entries prepared at the District office. Journal entries prepared by the schools and other departments are limited to what they can enter on the A10 by system edits.

Employee Time Certifications

The special project's office collects semi-annual certification for employees who are funded 100% by a federal grant project and PAR reports for personnel whose salaries are split funded. Semi-annual certification information is sent to administrators and supervisors in February and August for documentation of the previous six months. They are given a 3 week timeframe to return the documentation. PAR reports are completed in October, January, and April by employees and then signed by administrators and supervisors before being submitted to special projects. These are due two weeks after the end of the month. Reminders are sent for both types of certification. Administrators and employees are contacted again if they have missed the deadline and reminded weekly until the documentation is submitted. Although all certifications are eventually collected, some are received well after the due date.

I have contacted personnel and am currently working with Shelly Specht and Allen Mortimer to determine if there is something already in policy that can be used to enforce this reporting requirement or to find the most appropriate way to add official employee time certification policies and procedures to District approved policies and procedures. I spoke with Allen Mortimer on Friday regarding the reporting requirements and he is currently reviewing existing policy. The timeline is to have policy or a plan for enforcing current policy in place for the 2011-2012 school year.

Information Technology

Risk Assessment

A formal risk assessment and penetration test was performed by ConRes Inc. on January of 2011. ConRes had a team of security engineers visit a sample of 6 sites (including schools and the administration building) over a number of days to attempt to gain access to the network. They also performed off site penetration testing. The results were submitted confidentially to John Just for his review and the district is implementing many of the recommendations for mitigation.

Access to Programs, Data and General Security

Access Issue 1: Our security to systems is provided by job type and duties using an automated process and in rare instances where this is not available, we use reports about changes in roles and responsibilities. We are constantly reviewing processes to improve security through our security team.

District School Board of Pinellas County
Appendix A – Management Response to Current Year Recommendations
For the Year Ended June 30, 2010

Access Issue 2: We are in the process of moving the System Service Request online into our Tech Help system for better tracking of requests and process for changes and new implementations.

General Security Issue 1: The school district in the past has used the sections of school district policy that address IT usage as it pertains to students and teachers. **(7540.03 - NETWORK/INTERNET ACCEPTABLE USE AGREEMENT, 7540.04 - USE OF ELECTRONIC RESOURCES, 7530.01 - STAFF USE OF ELECTRONIC COMMUNICATION DEVICES 2540 - USE OF MULTI-MEDIA)** All of the listed contain security in board policy but are not in one specific policy.

Program Changes and System Development

We are in the process of moving the System Service Request online into our Tech Help system for better tracking of requests and process for changes and new implementations.

Disaster Recovery and Business Continuity

We are currently developing a new functional disaster recovery plan that is targeted to be completed before the end of this school year. We plan to perform a functional exercise/test of this new plan this summer. We have worked for over a year to create this plan to maximize the limited budget we have to provide continuity of operations for mission critical applications.

District School Board of Pinellas County
Appendix B - Prior Year Findings and Recommendations
For The Year Ended June 30, 2010

The following is a listing of the of the findings from the preceding annual financial audit report for the fiscal year ended June 30, 2009 that are no longer present or relevant:

- Investments Controls – was a material weakness in the prior year and has been remediated by management
- Bank Account Reconciliations – was a material weakness in the prior year and has been remediated by management
- Information Technology – Passwords – was an additional matter in the prior year and has been remediated by management
- School Internal Account Funds – was an additional matter in the prior year and has been remediated by management
- Cellular Telephones – was an additional matter in the prior year and is no longer relevant