

District School Board Of Pinellas County

**Financial Statements and
Supplementary Information**

June 30, 2012



Certified Public Accountants
Business Consultants
Limited Liability Company

District School Board of Pinellas County
Table of Contents
June 30, 2012

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplementary information)	3 – 12
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	13
Statement of Activities	14
FUND FINANCIAL STATEMENTS	
Governmental Fund Financial Statements	
Balance Sheet	15
Reconciliation of the Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21
Fiduciary Fund Financial Statements	
Statement of Fiduciary Funds	22
NOTES TO FINANCIAL STATEMENTS	23 – 47

District School Board of Pinellas County
Table of Contents (Continued)
June 30, 2012

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (other than MD&A)	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	48
ARRA Economic Stimulus Fund	49
Other Federal Programs Fund	50
Schedule of Funding Progress for Other Postemployment Benefits	51
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	52 – 55
Notes to Schedule of Expenditures of Federal Awards	56
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 <i>Government Auditing Standards</i>	57 - 58
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	59 - 60
Schedule of Findings and Questioned Costs	61 - 66
Summary Schedule of Prior Audit Findings	67 - 68
Corrective Action Plan	69 - 71
Management Letter	72 - 73

INDEPENDENT AUDITORS' REPORT

To the District School Board of Pinellas County
and Dr. Michael Grego, 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, 2012, 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 97.60%, 82.98%, and 96.89%, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 20, 2013 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 12 and 48 through 51 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 of the District School Board of Pinellas County. The Schedule of Expenditures of Federal Awards 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 taken as a whole.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Clearwater, Florida
March 20, 2013

**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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- In total, net assets decreased \$40.8 Million, which represents a 2.0 percent decrease from the 2010-11 fiscal year.
- General revenues total \$883.5 Million or 93.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$63.3 Million or 6.7 percent of all revenues.
- Expenses total \$987.6 Million; only \$63.3 Million of these expenses was offset by program specific charges, with the remainder paid from general revenue.
- At the end of the fiscal year the fund balance of the General Fund totals \$60.5 Million, or 8.5 percent of total General Fund revenues. These fund balances include \$10.3 Million of non-spendable funds, \$20.9 Million of restricted funds, \$22.6 Million of assigned funds and \$6.7 Million of unassigned funds.

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 portion of the activities reported and the type of information contained, is shown in the following table.

MAJOR FEATURES OF THE DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

	District Wide	Fund Financial Statements		
	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 eleven separate legal entities in this report. Although legally separate organizations, the component units are included in this report because the units 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's self-insurance programs.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the 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, 2011, as compared to June 30, 2012.

	<u>2011</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percentage change</u>
Current Assets	\$ 428,382,531	\$ 380,960,150	\$ (47,422,381)	
Net Capital Assets	<u>1,846,939,540</u>	<u>1,841,487,963</u>	<u>(5,451,577)</u>	
Total Assets	<u>\$ 2,275,322,071</u>	<u>\$ 2,222,448,113</u>	<u>\$ (52,873,958)</u>	-2.32%
Other Liabilities	\$ 74,553,212	\$ 96,826,236	\$ 22,273,024	
Long-term Liabilities	<u>167,785,242</u>	<u>133,392,850</u>	<u>(34,392,392)</u>	
Total Liabilities	<u>\$ 242,338,454</u>	<u>\$ 230,219,086</u>	<u>\$ (12,119,368)</u>	-5.00%
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	\$ 1,802,357,684	\$ 1,800,071,994	\$ (2,285,690)	
Restricted	245,660,875	222,209,847	(23,451,028)	
Unrestricted (Deficit)	<u>(15,034,942)</u>	<u>(30,052,814)</u>	<u>(15,017,872)</u>	
Total Net Assets	<u>\$ 2,032,983,617</u>	<u>\$ 1,992,229,027</u>	<u>\$ (40,754,590)</u>	-2.00%

The District's net assets decreased 2.0% to \$2.0 billion. This was attributed to a decrease in total assets. The District reported an unrestricted net asset deficit of \$30.1 million, due to the accounting methodology required by GASB 34. The calculation of net assets uses a historical cost of school buildings that may not accurately reflect the 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.

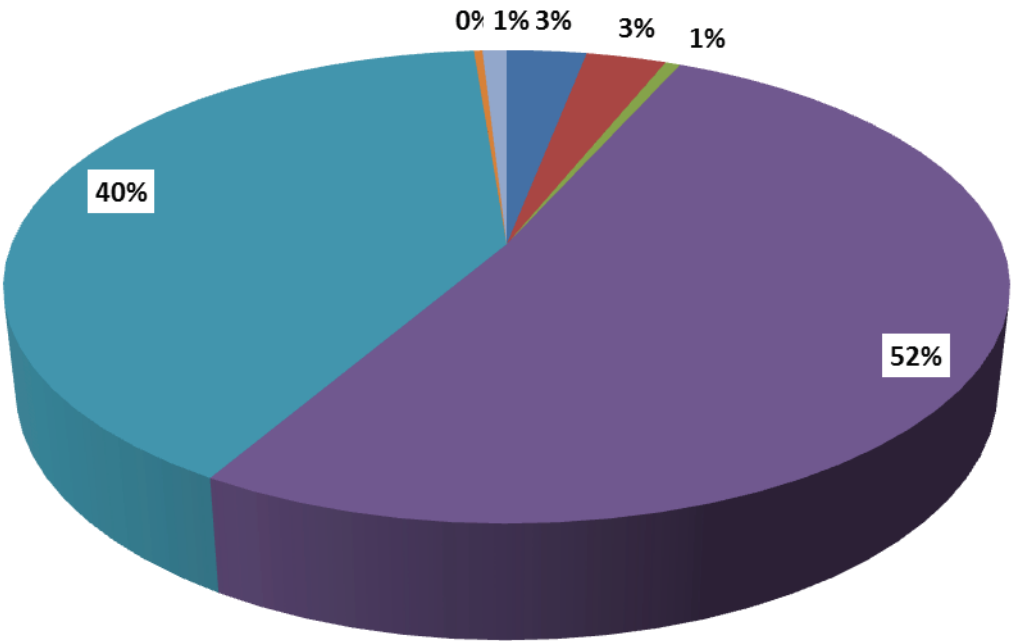
Changes in Net Assets - The table below shows the changes in net assets for 2011 and 2012.

	<u>2011</u>	<u>2012</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 17,501,841	\$ 28,897,116
Operating Grants and contributions	33,792,576	28,986,770
Capital Grants and contributions	4,553,906	5,453,720
General Revenues		
Property taxes	510,663,117	490,011,273
Grants and contributions not restricted to specific programs	475,080,118	381,706,894
Unrestricted investment earnings	4,861,667	3,091,917
Miscellaneous	14,681,311	8,704,312
Total Revenues	<u>1,061,134,536</u>	<u>946,852,002</u>
Expenses		
Instruction	586,094,009	549,808,548
Pupil personnel services	44,134,861	38,790,556
Instructional media services	11,756,105	10,167,569
Instruction and curriculum development	21,353,254	21,449,384
Instructional staff training	15,339,149	13,364,134
Instruction related technology	11,560,971	11,970,767
School Board	2,270,164	7,428,807
General administration	5,415,390	5,107,703
School administration	54,610,749	51,025,846
Facilities acquisition and construction	20,982,923	1,675,162
Fiscal services	4,576,159	3,697,294
Food services	37,753,811	41,432,795
Central services	13,169,215	12,727,811
Pupil transportation services	33,632,292	33,953,295
Operation of Plant	81,308,828	74,787,060
Maintenance of plant	23,132,616	21,321,715
Administrative technology services	5,656,252	6,532,661
Community services	4,596,998	5,057,795
Interest on long-term debt	2,553,563	2,195,336
Unallocated depreciation	53,327,097	57,113,068
Loss on disposal of capital assets	33,317,147	17,999,286
Total Expenses	<u>1,066,541,553</u>	<u>987,606,592</u>
Change in Net assets	(5,407,017)	(40,754,590)
Net Assets Beginning	2,038,390,634	2,032,983,617
Net Assets Ending	<u>\$ 2,032,983,617</u>	<u>\$ 1,992,229,027</u>

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES
PERIOD ENDED JUNE 30, 2012

Revenue
2011-2012

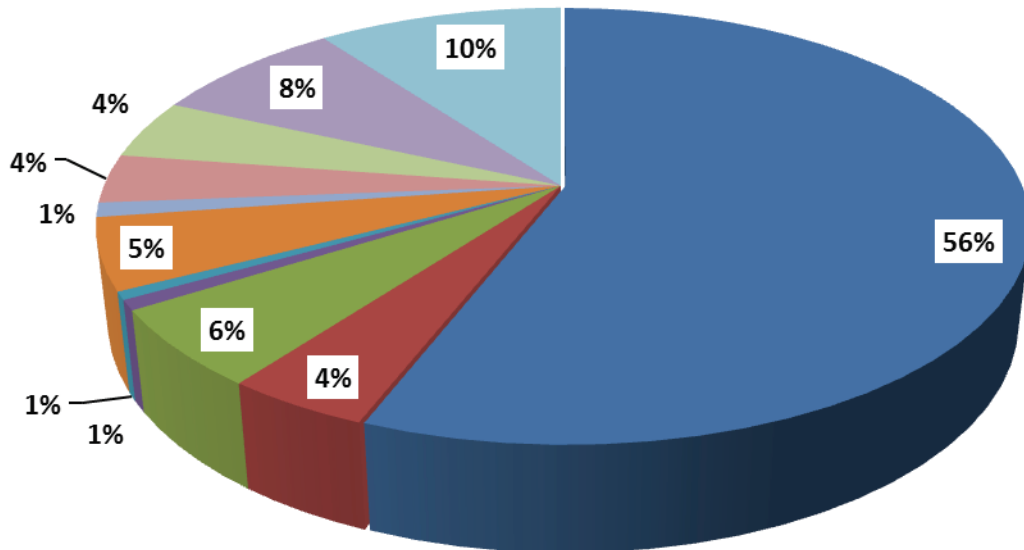
- Charges for Services
- Operating Grants and Contributions
- Capital Grants and Contributions
- Property Taxes
- Grants and Contributions non restricted
- Unrestricted Investment Earnings
- Miscellaneous



EXPENSES BY SOURCE – GOVERNMENTAL ACTIVITIES
PERIOD ENDED JUNE 30, 2012

**Expenses
2011-2012**

- Instruction
- Instructional Support
- General Administration
- Facilities Acquisition and Construction
- Pupil transportation Services
- Other
- Pupil Personnel Services
- Board of Education
- School Administration
- Food Services
- Operation of Plant



Financial Analysis of Individual Funds

The District completed the year with a total governmental fund balance of nearly \$291.7 million, a decrease of \$38.9 million from the 2011 fund balance of \$330.6 million.

The General Fund had a \$ 32.2 million decrease in fund balance to \$60.5 million.

The other major capital outlay fund changed as follows:

- Capital Improvement Section 1011.71(2) Fund increased \$0.3 million to \$201 million. This increase is a result of reduction of expenditures of construction needs.

Other Governmental Funds also experienced a decrease of fund balance from \$39.3 million in 2011 to \$30.1 million in 2012, most of which is attributable to non-major capital outlay.

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 2012, the District had invested slightly more than \$1.8 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net decrease of \$5.5 million from 2011. More detailed information concerning capital assets can be found in Note 6 to the financial statements. Accumulated depreciation on these assets totaled almost \$753.0 million.

- Asset acquisitions totaled \$96.2 million.
- The District disposed of \$63.6 million in assets.
- The net change to construction in progress reflected a net decrease of \$26.3 million.
- The District acquired technology assets through capital lease totaling \$15.1million.
- The District recognized depreciation expense of \$83.7 million for the year.

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

	<u>2011</u>	<u>2012</u>
Land	\$ 96,590,478	\$ 97,151,873
Land Improvement-Non Depreciable	22,717,599	22,717,599
Construction in Progress	35,493,894	9,186,109
Buildings and Fixed Equipment	2,134,320,974	2,209,545,432
Relocatables	-	13,820,661
Improvements other than Building	8,228,031	8,339,919
Furniture, Fixtures and Equipment	147,866,069	120,475,688
Motor Vehicles	53,918,410	51,942,139
Audio Visual and Computer Software	14,305,911	13,859,470
Property Under Capital Lease	<u>48,387,482</u>	<u>47,443,454</u>
 Total Capital Assets	 2,561,828,848	 2,594,482,344
 Accumulated Depreciation	 <u>(714,889,308)</u>	 <u>(752,994,378)</u>
 Total Net Capital Assets	 <u>\$ 1,846,939,540</u>	 <u>\$ 1,841,487,966</u>

LONG-TERM DEBT

At year-end, the District had \$161.8 million in general obligation bonds and other long-term liabilities outstanding – a decrease of 3.6% from fiscal year end 2011. In addition, the District has implemented the requirements for GASB 45, Accounting for Other Post-Employment Benefits and as a result has recorded an \$8.3 million liability for June 30, 2012. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.)

Outstanding Long-Term Obligations

	<u>2011</u>	<u>2012</u>	<u>Percentage Change</u>
General obligation debt	\$ 27,400,000	\$ 24,760,000	-9.6%
Compensated absences	98,163,233	91,944,354	-6.3%
Capital lease	17,181,856	20,126,433	17.1%
Insurance claims	16,747,136	16,655,969	-0.5%
Postemployment health benefits	<u>8,293,017</u>	<u>8,333,732</u>	0.5%
	<u>\$ 167,785,242</u>	<u>\$ 161,820,488</u>	<u>-3.6%</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 third year) in order to supplement declining revenues in 2011-2012. As a result, the District received approximately \$13.3 million dollars of various ARRA Program funding. This is the final year of most ARRA funding. After this year, only Race to the Top will continue.

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,

2012

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
Assets		
Cash and cash equivalents	\$ 20,007,656	\$ 1,723,621
Investments	313,497,316	739,006
Accounts receivable	12,935,543	463,734
Deposits receivable	-	70,920
Interest receivable	677,774	-
Due from other agencies	20,842,881	276,972
Inventories	5,536,921	-
Prepaid items	7,462,059	275,128
Capital assets, net	1,841,487,963	10,190,506
Total assets	\$ 2,222,448,113	\$ 13,739,887
Liabilities and Net assets		
Salaries and wages payable	\$ 12,227,723	\$ 357,058
Payroll deductions and withholdings	39,010,626	-
Accounts payable and accrued expenses	6,332,722	1,365,973
Construction contracts payable	2,395,663	-
Construction contracts retainage payable	3,173,805	-
Due to other governmental agencies	4,878,746	171,431
Deferred revenues	356,833	77,469
Sales tax payable	22,250	-
Long-term liabilities:		
Portion due within one year	28,427,868	87,256
Portion due after one year	133,392,850	9,802,520
Total liabilities	230,219,086	11,861,707
Net assets		
Invested in capital assets, net of related debt	1,800,071,994	524,201
Restricted for:		
Categorical carryover programs	1,581,158	-
Food service	14,376,783	-
Capital projects	205,193,936	12,677
Debt service	905,834	-
Other purposes	152,136	-
Unrestricted	(30,052,814)	1,341,302
Total net assets	1,992,229,027	1,878,180
Total liabilities and net assets	\$ 2,222,448,113	\$ 13,739,887

See accompanying Notes to Financial Statements.

District School Board of Pinellas County Statement of Activities

Year ended June 30,

2012

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
Primary government						
Governmental Activities						
Instruction	\$ 549,808,548	\$ 4,223,454	\$ -	\$ -	\$ (545,585,094)	\$ -
Pupil personnel services	38,790,556	-	-	-	(38,790,556)	-
Instructional media services	10,167,569	-	-	-	(10,167,569)	-
Instruction and curriculum development	21,449,384	-	-	-	(21,449,384)	-
Instructional staff training	13,364,134	-	-	-	(13,364,134)	-
Instruction related technology	11,970,767	-	-	-	(11,970,767)	-
School Board	7,428,807	7,157,673	-	-	(271,134)	-
General administration	5,107,703	-	-	-	(5,107,703)	-
School administration	51,025,846	-	-	-	(51,025,846)	-
Facilities acquisition and construction	1,675,162	-	-	5,453,720	3,778,558	-
Fiscal services	3,697,294	-	-	-	(3,697,294)	-
Food services	41,432,795	11,000,112	28,986,770	-	(1,445,913)	-
Central services	12,727,811	-	-	-	(12,727,811)	-
Pupil transportation services	33,953,295	6,515,877	-	-	(27,437,418)	-
Operation of plant	74,787,060	-	-	-	(74,787,060)	-
Maintenance of plant	21,321,715	-	-	-	(21,321,715)	-
Administrative technology services	6,532,661	-	-	-	(6,532,661)	-
Community services	5,057,795	-	-	-	(5,057,795)	-
Interest on long-term debt	2,195,336	-	-	-	(2,195,336)	-
Unallocated depreciation/amortization expense	57,113,068	-	-	-	(57,113,068)	-
Loss on disposal of capital assets	17,999,286	-	-	-	(17,999,286)	-
Total governmental activities	\$ 987,606,592	\$ 28,897,116	\$ 28,986,770	\$ 5,453,720	(924,268,986)	-
Component Units						
Charter schools/foundations	\$ 23,433,885	\$ 550,201	\$ 1,016,165	\$ 555,065	-	(21,312,454)

General revenues:

Taxes:		
Property taxes, levied for general purposes	402,349,435	-
Property taxes, levied for capital projects	87,661,838	-
Grants and contributions not restricted to specific programs	381,706,894	20,925,031
Investment earnings	3,091,917	253
Miscellaneous	8,704,312	4,354
Total general revenues	883,514,396	20,929,638
Change in net assets	(40,754,590)	(382,816)
Net assets - beginning	2,032,983,617	1,845,462
Net assets - ending	\$ 1,992,229,027	\$ 1,878,180

See accompanying Notes to Financial Statements.

District School Board of Pinellas County Balance Sheet Governmental Funds

June 30,

2012

	General Fund	ARRA Economic Stimulus Funds	Capital Projects - Local Capital Improvement Tax Fund	Other Federal Programs	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 14,838,860	\$ -	\$ 5,020,145	\$ 18,192	\$ 35,995	\$ 19,913,192
Restricted cash	19,420	-	-	-	-	19,420
Investments	65,404,342	899,091	197,221,127	456,306	26,581,957	290,562,823
Accounts receivable, net	408,329	1,675,040	381,248	7,770,726	2,140,697	12,376,040
Interest receivable	(115,243)	-	713,003	-	80,014	677,774
Due from other funds	18,417,591	4,384	1,487,685	9,917,594	669,906	30,497,160
Due from other agencies	15,089,310	-	2,556,172	9,329	3,109,066	20,763,877
Inventory	4,350,842	-	-	-	1,186,079	5,536,921
Prepaid items	5,983,956	-	1,477,752	-	351	7,462,059
Total assets	\$ 124,397,407	\$ 2,578,515	\$ 208,857,132	\$ 18,172,147	\$ 33,804,065	\$ 387,809,266
Liabilities and fund balances						
Liabilities:						
Salaries, benefits and payroll taxes payable	\$ 12,227,723	\$ -	\$ -	\$ -	\$ -	\$ 12,227,723
Payroll deductions and withholdings	34,681,130	1,437,789	-	2,820,316	71,391	39,010,626
Accounts payable	3,282,294	155,115	1,403,084	1,753,509	252,837	6,846,839
Construction contracts payable	-	-	2,392,137	-	3,526	2,395,663
Construction contracts payable - retained percentage	621	-	2,495,675	-	677,509	3,173,805
Sales tax payable	23,466	-	-	-	-	23,466
Due to other agencies	4,414,231	15,856	-	391,721	56,938	4,878,746
Due to other funds	9,198,149	969,755	1,478,391	13,143,431	2,423,938	27,213,664
Deferred revenue	42,301	-	-	63,170	251,362	356,833
Total liabilities	63,869,915	2,578,515	7,769,287	18,172,147	3,737,501	96,127,365
Fund balances:						
Nonspendable:						
Inventory	4,350,842	-	-	-	1,186,079	5,536,921
Prepaid amounts	5,983,956	-	-	-	-	5,983,956
Permanent funds	-	-	-	-	152,136	152,136
Total Nonspendable fund balance	10,334,798	-	-	-	1,338,215	11,673,013
Restricted for:						
State required carryover programs	1,581,158	-	-	-	-	1,581,158
Tax levy	3,534,361	-	-	-	-	3,534,361
Workforce development	15,794,746	-	-	-	-	15,794,746
Food service	-	-	-	-	14,376,780	14,376,780
Debt service	-	-	-	-	905,834	905,834
Capital projects	-	-	201,087,845	-	4,106,091	205,193,936
Total restricted fund balance	20,910,265	-	201,087,845	-	19,388,705	241,386,815
Assigned to:						
General fund	22,614,477	-	-	-	-	22,614,477
Capital projects	-	-	-	-	9,339,644	9,339,644
Total assigned fund balance	22,614,477	-	-	-	9,339,644	31,954,121
Unassigned fund balance	6,667,952	-	-	-	-	6,667,952
Total fund balances	60,527,492	-	201,087,845	-	30,066,564	291,681,901
Total liabilities and fund balances	\$ 124,397,407	\$ 2,578,515	\$ 208,857,132	\$ 18,172,147	\$ 33,804,065	\$ 387,809,266

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>	2012
Total fund balances, governmental funds	\$ 291,681,901
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.	1,841,487,963
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.	4,223,682
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	(91,944,354)
Bonds payable	(24,760,000)
Postemployment healthcare benefits payable	(8,333,732)
Obligations under capital leases	(20,126,433)
Net assets of governmental activities in the statement of net assets	\$ 1,992,229,027

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,

2012

	General Fund	ARRA Economic Stimulus Funds	Capital Projects - Local Capital Improvement Tax Fund	Other Federal Programs	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental:						
Federal direct	\$ 321,428	\$ -	\$ -	\$ 6,237,805	\$ -	\$ 6,559,233
Federal through state	4,285,903	13,299,919	-	68,835,526	28,458,203	114,879,551
State sources	289,860,547	-	-	142,010	5,914,706	295,917,263
Local sources	420,507,137	-	89,255,413	-	13,353,394	523,115,944
Total revenues	714,975,015	13,299,919	89,255,413	75,215,341	47,726,303	940,471,991
Expenditures						
Current:						
Instruction	507,945,274	6,524,761	-	34,011,187	953	548,482,175
Pupil personnel services	29,088,382	438,176	-	9,524,200	-	39,050,758
Instructional media services	9,682,163	1,970	-	461,833	-	10,145,966
Instructional and curriculum development	9,433,498	2,025,782	-	10,070,131	-	21,529,411
Instructional staff training	3,673,065	418,062	-	9,327,365	-	13,418,492
Instruction related technology	2,235,876	-	-	226,135	-	2,462,011
School Board	2,096,009	-	-	-	-	2,096,009
General administration	2,742,183	346,341	-	1,985,252	-	5,073,776
School administration	50,693,825	117,395	-	601,119	-	51,412,339
Facilities acquisition and construction	441,181	-	-	9,167	170,598	620,946
Fiscal services	3,625,292	35,439	-	50,161	-	3,710,892
Food services	207,866	-	-	26,470	40,853,008	41,087,344
Central services	11,713,353	212,908	-	767,126	-	12,693,387
Pupil transportation services	32,543,652	714,062	-	623,041	-	33,880,755
Operation of plant	74,855,422	1,085	-	132,327	-	74,988,834
Maintenance of plant	21,307,894	-	-	-	-	21,307,894
Administrative technology services	6,016,393	205,731	-	245,993	-	6,468,117
Community services	648,848	104,871	-	4,301,837	-	5,055,556
Fixed capital outlay:						
Facilities acquisition and construction	160,234	-	73,974,003	-	6,008,336	80,142,573
Other capital outlay	3,046,813	2,153,336	-	2,851,997	1,175,862	9,228,008
Debt Service:						
Retirement of principal	3,508	-	10,247,821	-	2,640,000	12,891,329
Interest and fiscal charges	76,870	-	745,229	-	1,369,600	2,191,699
Dues, fees, and issuance costs	-	-	-	-	3,637	3,637
Total expenditures	772,237,601	13,299,919	84,967,053	75,215,341	52,221,994	997,941,908
Excess (deficiency) of revenues over expenditures	(57,262,586)	-	4,288,360	-	(4,495,691)	(57,469,917)
Other financing sources (uses)						
Loss recoveries	567,979	-	-	-	-	567,979
Obligations under capital leases	-	-	15,116,137	-	-	15,116,137
Transfers in	25,454,277	-	977,356	-	-	26,431,633
Transfers out	(977,356)	-	(20,073,758)	-	(2,580,519)	(23,631,633)
Total other financing sources and (uses)	25,044,900	-	(3,980,265)	-	(2,580,519)	18,484,116
Net change in fund balances	(32,217,686)	-	308,095	-	(7,076,210)	(38,985,801)
Fund balances, July 1, 2011	92,745,178	-	200,779,750	-	37,142,774	330,667,702
Fund balances, June 30, 2012	\$ 60,527,492	\$ -	\$ 201,087,845	\$ -	\$ 30,066,564	\$ 291,681,901

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>	2012
Net change in fund balances - total governmental funds:	\$ (38,985,801)
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.	14,467,941
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.	(17,999,286)
In the Statement of Activities payments on long-term debt are not reported as expenses. This is the amount of current year payment on long-term debt that were reported as expenditures in the funds.	12,891,329
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 decreased.	6,218,878
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.	(40,715)
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.	(15,116,137)
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.	(2,190,799)
Change in net assets of governmental activities	\$ (40,754,590)

See accompanying Notes to Financial Statements.

**District School Board of Pinellas County
Statement of Net Assets
Proprietary Fund**

<i>June 30,</i>	2012
	Governmental Activities - Internal Service Fund
Assets	
Cash and cash equivalents	\$ 75,044
Accounts receivable	559,273
Interest receivable	79,004
Investments	22,934,493
Total assets	\$ 23,647,814
Liabilities	
Insurance claims payable	\$ 16,655,969
Due to other funds	2,768,163
Total liabilities	19,424,132
Net assets	
Unrestricted	4,223,682
Total liabilities and net assets	\$ 23,647,814

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>	2012
	Governmental Activities - Internal Service Fund
Operating Revenues	
Premium revenues	\$ 5,777,067
Operating Expenses	
Insurance claims	5,299,730
Operating income	477,337
Nonoperating revenues	
Interest income	131,864
Income before transfers	609,201
Transfers out	(2,800,000)
Change in net assets	(2,190,799)
Net assets - beginning	6,414,481
Net assets - ending	\$ 4,223,682

See accompanying Notes to Financial Statements.

**District School Board of Pinellas County
Statement of Cash Flows
Proprietary Fund**

<i>Year ended June 30,</i>	2012
	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from General and other funds	\$ 5,579,472
Cash payments for insurance claims and fees	(2,681,137)
Net cash provided by operating activities	2,898,335
Cash flows from noncapital financing activities	
Transfers to other funds	(2,800,000)
Net cash used by noncapital financing activities	(2,800,000)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	3,623,378
Purchase of investments	(3,853,556)
Interest and dividends received	131,864
Net cash provided by investing activities	(98,314)
Net increase in cash and cash equivalents	21
Cash and cash equivalents, beginning of year	75,023
Cash and cash equivalents, end of year	\$ 75,044
Reconciliation of operating income to net cash used by operating activities	
Operating income	\$ 477,337
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable	(198,187)
Interest receivable	592
Increase (decrease) in:	
Accounts payable	(58,403)
Due to other funds	2,768,163
Insurance claims payable	(91,167)
Net cash provided by operating activities	\$ 2,898,335

See accompanying Notes to Financial Statements.

**District School Board of Pinellas County
Statement of Fiduciary Funds**

<i>June 30,</i>	2012
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	Agency Fund
Assets	
Cash and cash equivalents	\$ 7,861,938
Other receivables	761,789
Due from other funds	192,858
Investments	174,494
<hr/>	
Total assets	\$ 8,991,079

Liabilities	
Due to other funds	\$ 708,191
Internal accounts payable	8,282,888
<hr/>	
Total liabilities	\$ 8,991,079

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., Life Force 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.

Other Federal Programs Fund – to account for funds received from the Federal Government directly or indirectly through the state. The Federal awards are for the enhancement of various programs.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1,500. 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

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long Term Liabilities

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

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

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

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 School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District Property Taxes

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

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

The School Board adopted the 2012 tax levy in September 2011. 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 fund 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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 2 – BUDGETARY COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

Appropriations are controlled at the major object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

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, 2012, 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	\$ 2,635,438	\$ 2,635,438	\$ -	\$ -	\$ -	\$ -
Florida PRIME Fund	49,209	49,209	-	-	-	-
SBA Fund B	925,268	-	-	-	925,268	-
Core Fund (Other Pooled Investments)	36,468,045	36,468,045	-	-	-	-
Non US Government/GSE Investments:						
Corporate Asset Backed Securities	33,014,064	33,014,064	-	-	-	-
Corporate Asset Backed Floating Rate Securities	2,951,650	-	2,951,650	-	-	-
Corporate Mortgage Backed Securities	35,454,286	16,408,489	3,013,389	16,032,408	-	-
Obligations of United States Government Agencies and Instrumentalities:						
Collateralized Mortgage Obligations Corporate Bonds	174,312,946	7,458,466	138,327,013	19,031,822	9,495,645	-
Collateralized Mortgage Obligations - Floating Rate	26,961,765	4,831,222	7,383,985	7,067,399	-	7,679,159
Total Investments Primary Government	\$ 312,772,671	\$ 100,864,933	\$ 151,676,037	\$ 42,131,629	\$ 10,420,913	\$ 7,679,159

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 \$201,274,711 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, 2012, the District had investments in the Evergreen Institutional Prime money market fund, Aim Tax Exempt Fund, Fidelity Prime Fund, Florida PRIME and Morgan Stanley Prime Portfolio Money Market fund with a fair value of \$2,635,438. 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 \$36,468,045 in the Core Fund at June 30, 2012. The Core Fund is a short-term U.S. government bond fund. This fund was rated Aaa-bf by Moody's on August 9, 2012, the fund was unrated as of June 30, 2012.

The District's non-governmental investments consisting of corporate asset backed securities, corporate asset backed floating rate securities and corporate mortgage backed securities are recorded at fair value of \$71,420,000. All funds are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.

The District had \$49,209 invested in the State Board of Administration's Florida Prime fund, which is rated AAAM by Standard and Poor's. The District also has \$925,268 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 \$312,772,670 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

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy does not limit the amount the District may invest in any one issuer. The District had investments that represent 5 percent or more of total investments (excluding obligations with the explicit guarantee of the U.S. government, investment pools, and money market funds) as of June 30, 2012, as follows:

District School Board of Pinellas County

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Issuer	Fair Value	Percentage of Total Investments, Primary Government
Obligations of United States Instrumentalities:		
Federal National Mortgage Association	\$ 74,696,293	24%
Federal Home Loan Mortgage Corporation	66,404,890	21%
Government National Mortgage Association	48,274,906	15%

Foreign Currency Risk

The District has no investments exposed to foreign currency risk.

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	\$ 18,417,591	\$ 9,198,149
Capital Projects:		
Local Capital Improvement Section 1011.71(2)	1,487,685	1,478,391
Federal Funds	9,917,594	13,143,431
Federal Funds (ARRA)	4,384	969,755
Nonmajor Governmental Funds	669,906	2,423,938
Internal Service	-	2,768,163
Fiduciary funds	192,858	708,191
	\$ 30,690,018	\$ 30,690,018

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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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

	Transfers In	Transfers Out
Major Funds:		
General	\$ 25,454,277	\$ 977,356
Capital Projects	977,356	20,073,758
Other Capital Projects	-	2,580,519
Internal Service	-	2,800,000
	<hr/>	<hr/>
	\$ 26,431,633	\$ 26,431,633

The \$16,463,318 transfer made from the Capital Improvement Section 1011.71(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund. The \$6,487,796 transfer made from the Capital Improvement Section 1011.71(2) Fund was to cover property liability insurance expenditures that were incurred in the General Fund. The \$680,519 transfer from Other Capital Projects to the General Fund was to cover capital outlay disbursements to the charter schools. There was an Internal Funds transfer of \$2,800,000 for operating activity.

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 Assests Not Being Depreciated:				
Land	\$ 96,590,478	\$ 561,395	\$ -	\$ 97,151,873
Land Improvements - Non-depreciable	22,717,599	-	-	22,717,599
Construction in Progress	35,493,894	8,008,806	34,316,590	9,186,110
Total Capital Assets Not Being Depreciated	154,801,971	8,570,201	34,316,590	129,055,582
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	2,134,320,974	77,980,341	2,755,884	2,209,545,431
Relocatables	-	13,820,661	-	13,820,661
Improvements other than Building	8,228,031	111,888	-	8,339,919
Furniture, Fixtures and Equipment	147,866,069	11,795,817	39,186,198	120,475,688
Motor Vehicles	53,918,411	2,027,761	4,004,033	51,942,139
Property Under Capital Lease	48,387,482	15,116,138	16,060,166	47,443,454
Audio Visual and Computer Software	14,305,910	1,142,359	1,588,800	13,859,469
Total Capital Assets Being Depreciated	2,407,026,877	121,994,965	63,595,081	2,465,426,761
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	543,572,016	44,753,677	1,820,247	586,505,446
Relocatables	-	10,761,033	-	10,761,033
Furniture, Fixtures and Equipment	96,286,820	13,122,915	26,455,731	82,954,004
Improvements other than Building	1,945,521	555,995	-	2,501,516
Motor Vehicles	32,809,168	3,901,877	3,628,151	33,082,894
Property Under Capital Lease	27,976,862	9,771,876	12,482,825	25,265,913
Audio Visual and Computer Software	12,298,921	833,493	1,208,841	11,923,573
Total Accumulated Depreciation	714,889,308	83,700,866	45,595,795	752,994,379
Total Capital Assets Being Depreciated, Net	1,692,137,569	38,294,099	17,999,286	1,712,432,382
Governmental Activities Capital Assets, Net	\$ 1,846,939,540	\$ 46,864,300	\$ 52,315,876	\$ 1,841,487,964

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

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	\$ 5,541,182
Pupil personnel services	73,439
Instructional media services	104,946
Instruction and curriculum development services	97,368
Instructional staff training	39,539
Instructional related technology	9,528,875
Board of Education	2,569
General administration	59,001
School administration	45,837
Facilities acquisition and construction	9,952,361
Fiscal services	17,428
Food service	500,233
Central services	109,477
Pupil transportation services	263,471
Operation of plant	59,232
Maintenance of plant	85,496
Administrative technology	101,632
Community services	5,712
Unallocated	57,113,068
	\$ 83,700,866

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	\$ -	\$ 50,000,000	\$ 50,000,000	\$ -
Total Governmental Activities	\$ -	\$ 50,000,000	\$ 50,000,000	\$ -

Tax anticipation notes were sold in October 2011 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 0.23% and were secured by the future ad valorem tax receipts. The notes were due by June 30, 2012 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 \$44,330,603.

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

	Total	Principal	Interest
2013	\$ 8,708,569	\$ 7,916,878	\$ 791,691
2014	7,428,689	6,957,984	470,705
2015	4,617,261	4,426,890	190,371
2016	853,236	824,681	28,555
	<u>\$ 21,607,755</u>	<u>\$ 20,126,433</u>	<u>\$ 1,481,322</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, 2012, were as follows:

	Amount	Interest Rates (Percent)	Maturity
State School Bonds:			
Series 2010-A, Refunding	\$ 145,000	4.2-5.0	2021
Series 2005-B, Refunding	24,615,000	5	2020
Total Bonds Payable	<u>\$ 24,760,000</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
2013	\$ 4,012,850	\$ 2,775,000	\$ 1,237,850
2014	4,009,100	2,910,000	1,099,100
2015	3,988,600	3,035,000	953,600
2016	4,001,850	3,200,000	801,850
2017	4,011,850	3,370,000	641,850
2018-2021	10,393,950	9,470,000	923,950
	<u>\$ 30,418,200</u>	<u>\$ 24,760,000</u>	<u>\$ 5,658,200</u>

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	\$ 98,163,233	\$ 5,156,798	\$ 11,375,676	\$ 91,944,355	\$ 11,629,867
Estimated insurance claims payable	16,747,136	3,491,720	3,582,887	16,655,969	6,106,123
Bonds payable	27,400,000	-	2,640,000	24,760,000	2,775,000
Post employment health care benefits	8,293,017	3,528,870	3,488,155	8,333,732	-
Obligations under capital leases	17,181,856	15,116,137	12,171,561	20,126,432	7,916,878
Total	<u>\$ 167,785,242</u>	<u>\$ 27,293,525</u>	<u>\$ 33,258,279</u>	<u>\$ 161,820,488</u>	<u>\$ 28,427,868</u>

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 assigned at fiscal year-end to report an amount likely to be expended from the 2012 - 2013 fiscal year budget as a result of purchase orders outstanding at June 30, 2012.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 11 – FUND BALANCE REPORTING

The District follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, for fund balance reporting.

The District reports its governmental fund balances in the following categories, as applicable:

- **Nonspendable** - The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories, prepaid amounts and the fund balance for the permanent fund as nonspendable.
- **Restricted** - The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.
- **Committed** - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the district school board). These amounts cannot be used for any other purpose unless the district school board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.
- **Assigned** - The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and Chief Financial Officer and not included in other categories.
- **Unassigned** - The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 11 – FUND BALANCE REPORTING (CONTINUED)

The following is a schedule of fund balances by category as June 30, 2012:

Nonspendable:

General Fund:	
Inventory	\$ 4,350,842
Pre-paid Expense	5,983,956
Permanent Fund Endowment (Blair Estate)	152,136
Food Service Inventory	1,186,079
Total Nonspendable	11,673,013

Restricted:

<i>General Fund:</i>	
Restricted State Carryovers	1,581,158
Tax Levy	3,534,361
Workforce Education pTEC's	8,213,269
Workforce Education Career Adult Ed	7,581,478
<i>Debt Service</i>	905,834
<i>Capital Projects</i>	205,193,936
<i>Food Service</i>	14,376,780
Total Restricted	241,386,816

Assigned:

<i>General Fund:</i>	
Encumbrances	7,011,498
Central Printing	827,057
Carryforwards	14,775,922
<i>Capital Projects</i>	9,339,644
Total Assigned	31,954,120
Total Unassigned	6,667,952
<u>Total Ending Fund Balance</u>	<u>\$ 291,681,901</u>

District School Board of Pinellas County

Notes to Financial Statements

NOTE 12 - SCHEDULE OF STATE REVENUE SOURCES

The District's State revenue for the year ended June 30, 2012 follows:

Florida Education Finance Program	\$ 143,329,870
Categorical Educational Program - Class Size Reduction	112,811,928
Workforce development program	25,324,000
Florida school recognition program	4,173,575
District discretionary lottery funds	335,391
Motor vehicle license tax (Capital outlay and Debt Service)	4,549,951
Mobile home license tax	549,216
Adults with disabilities	434,322
Food service supplement	517,632
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	680,519
Voluntary Pre-K	1,626,000
Miscellaneous	1,361,608
	<u>\$ 295,917,262</u>

NOTE 13 – PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-2012 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.637	\$ 340,073,984
Basic Discretionary Local Effort	0.748	45,126,014
Voted School Tax:		
Local Referendum	0.500	30,164,448
Total General Fund:	6.885	415,364,445
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	1.500	90,493,343
Total General And Capital Funds:	8.385	\$ 505,857,789

District School Board of Pinellas County

Notes to Financial Statements

NOTE 14 – 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 14 – 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 2011-2012 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System:		
Regular	-	4.91
County Elected Officers	-	11.14
Senior Management Service Class	-	6.27
Special Risk	-	14.10
Reemployed Retiree	-	4.91
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	-	4.42

(A) Employer rates include the postemployment health insurance supplement of 1.11% and 0.03% 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, 2010, 2011, and 2012 totaled \$55,875,700, \$54,070,643 and \$40,131,586 respectively, which were equal to the required contributions for each fiscal year.

NOTE 15 – 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, 2012.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 15 – TAX DEFERRAL PLANS AND OTHER BENEFITS (CONTINUED)

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, 2012 were \$10,578,808 and \$2,296,593 respectively. In addition, the District has available a Roth 403(b) that employees may elect. Contributions to the Roth 403(b) totaled \$1,210,227 for 2012.

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, 2012 was \$97,200,935.

NOTE 16 - CONSTRUCTION CONTRACT COMMITMENTS

The District had no major construction contract commitments at fiscal year-end 2011-2012. 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 17 – 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, 2012, a liability of \$16,655,969 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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 17 – RISK MANAGEMENT PROGRAMS (CONTINUED)

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

	Beginning of Year	Current-Year Additions Claims	Claims Payments	End of Year
2011	\$ 18,452,450	\$ 2,312,182	\$ (4,017,496)	\$ 16,747,136
2012	16,747,136	3,491,720	(3,582,887)	16,655,969

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 18 – 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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 18 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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 or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2011-2012 fiscal year, the District provided required contributions of \$3,488,155 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 \$6,407,505. Required contributions are based on projected pay-as-you-go financing.

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>		2012
(1)	Normal Cost	\$ 2,030,007
(2)	Amortization of Unfunded Accrued Liability	1,328,967
(3)	Interest	134,359
(4)	Annual Required Contribution	3,493,333
(5)	Interest on Net OPEB Obligation (NOO)	331,721
(6)	Amortization of NOO	(296,184)
(7)	Total Expense or Annual OPEB Cost (AOC)	3,528,870
(8)	Actual Contribution Toward OPEB Cost	(3,488,155)
(9)	Increase in NOO	40,715
(10)	NOO Beginning of Year	8,293,017
(11)	NOO End of Year	\$ 8,333,732

District School Board of Pinellas County

Notes to Financial Statements

NOTE 18 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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, 2012 and the two preceding years, are as follows:

Fiscal Year	AOC	Contribution	Percent of AOC	
			Contributed	NOO
2009/2010	\$ 4,843,008	\$ 1,754,549	36.2%	\$ 4,176,761
2010/2011	3,521,317	3,024,442	85.9%	4,707,683
2011/2012	3,528,870	3,488,155	98.8%	7,796,142

Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was \$31,732,418, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$31,732,418. The covered payroll (annual payroll for active participating employees) was \$555,740,506 for the fiscal year 2011-2012, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.7%.

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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 18 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The District's OPEB actuarial valuation as of August 24, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the 2011-12 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 4.5 percent per year, and an annual healthcare cost trend rate of 9.5 percent for the 2011-12 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, 2012 was 25 years.

NOTE 19 – 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 20 – 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

<i>Year ended June 30,</i>	2012			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues				
Intergovernmental:				
Federal direct	\$ 320,000	\$ 321,428	\$ 321,428	\$ -
Federal through state	2,869,575	4,285,903	4,285,903	-
State sources	295,582,553	289,860,546	289,860,547	1
Local sources	418,827,872	420,508,196	420,507,137	(1,059)
Total revenues	717,600,000	714,976,073	714,975,015	(1,058)
Expenditures				
Instruction	517,430,009	511,965,045	507,945,274	4,019,771
Pupil personnel services	29,118,069	29,328,970	29,088,382	240,588
Instructional media services	9,845,233	9,856,739	9,682,163	174,576
Instructional and curriculum development	8,559,700	9,498,495	9,433,498	64,997
Instructional staff training	3,577,269	3,732,438	3,673,065	59,373
Instruction related technology	2,142,019	2,236,458	2,235,876	582
Board of education	2,526,655	2,140,191	2,096,009	44,182
General administration	2,299,073	2,781,737	2,742,183	39,554
School administration	50,232,489	51,218,799	50,693,825	524,974
Facilities acquisition and construction	2,012,941	477,292	441,181	36,111
Fiscal services	4,119,992	3,660,709	3,625,292	35,417
Food services	60,382	207,866	207,866	-
Central services	9,889,656	12,032,736	11,713,353	319,383
Pupil transportation services	32,030,027	32,548,828	32,543,652	5,176
Operation of plant	73,013,892	75,254,419	74,855,422	398,997
Maintenance of plant	17,698,888	22,546,139	21,307,894	1,238,245
Administrative technology services	5,024,624	6,253,220	6,016,393	236,827
Community services	410,888	650,512	648,848	1,664
Fixed capital outlay:				
Facilities acquisition and construction	160,234	160,234	160,234	-
Other capital outlay	3,046,813	3,046,813	3,046,813	-
Debt Service:				
Retirement of principal	194,700	80,378	80,378	-
Total expenditures	773,393,553	779,678,018	772,237,601	7,440,417
Excess (deficiency) of revenues over expenditures	(55,793,553)	(64,701,945)	(57,262,586)	7,439,359
Other financing sources (uses)				
Loss recoveries	300,000	567,979	567,979	-
Transfers in	25,996,345	25,454,277	25,454,277	-
Transfers out	-	(977,356)	(977,356)	-
Total other financing sources and (uses)	26,296,345	25,044,900	25,044,900	-
Net change in fund balances	(29,497,208)	(39,657,045)	(32,217,686)	7,439,359
Fund balances - beginning	92,745,178	92,745,178	92,745,178	-
Fund balances - ending	\$ 63,247,970	\$ 53,088,133	\$ 60,527,492	\$ 7,439,359

District School Board of Pinellas County
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Other Federal Funds

<i>Year ended June 30,</i>	2012			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental:				
Federal through state	\$ 13,381,123	\$ 19,343,992	\$ 13,299,919	\$ (6,044,073)
Total revenues	13,381,123	19,343,992	13,299,919	(6,044,073)
Expenditures				
Current:				
Instruction	7,876,492	8,034,694	6,524,761	1,509,933
Pupil personnel services	57,134	413,013	438,176	(25,163)
Instructional media services	25	3,041	1,970	1,071
Instructional and curriculum development	1,457,412	3,513,405	2,025,782	1,487,623
Instructional staff training	270,966	1,614,369	418,062	1,196,307
Instructional related technology	461,298	504,936	-	504,936
General administration	848,989	1,059,843	346,341	713,502
School administration	53,347	243,126	117,395	125,731
Facilities acquisition and construction	4,640	4,640	-	4,640
Fiscal services	-	21,028	35,439	(14,411)
Food services	37,597	37,597	-	37,597
Central services	36,656	343,680	212,908	130,772
Pupil transportation services	2,996	776,736	714,062	62,674
Operation of plant	7,182	9,652	1,085	8,567
Administrative technology services	4,000	298,492	205,731	92,761
Community services	109,052	312,403	104,870	207,533
Fixed capital outlay:				
Other capital outlay	2,153,337	2,153,337	2,153,337	-
Total expenditures	13,381,123	19,343,992	13,299,919	6,044,073
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 Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Other Federal Funds

Year ended June 30,

2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal direct	\$ 6,205,972	\$ 10,573,362	\$ 6,237,805	\$ (4,335,557)
Federal through state	85,681,808	97,694,813	68,835,526	(28,859,287)
State sources	-	-	142,010	142,010
Total revenues	91,887,780	108,268,175	75,215,341	(33,052,834)
Expenditures				
Current:				
Instruction	39,400,722	54,282,482	34,011,187	20,271,295
Pupil personnel services	9,036,955	10,567,323	9,524,200	1,043,123
Instructional media services	39,474	475,918	461,833	14,085
Instructional and curriculum development	7,786,993	12,030,408	10,070,131	1,960,277
Instructional staff training	26,625,920	14,763,353	9,327,365	5,435,988
Instruction related technology	17,475	240,931	226,135	14,796
General administration	2,503,889	2,503,078	1,985,252	517,826
School administration	48,714	684,007	601,119	82,888
Facilities acquisition and construction	446,123	478,122	9,167	468,955
Fiscal services	55,728	58,981	50,161	8,820
Food services	26,215	36,450	26,470	9,980
Central services	26,993	1,215,313	767,126	448,187
Pupil transportation services	1,218,374	1,526,003	623,041	902,962
Operation of plant	58,315	173,604	132,327	41,277
Administrative technology services	257,971	1,116,007	245,993	870,014
Community services	1,485,922	5,264,198	4,301,837	962,361
Fixed capital outlay:				
Facilities acquisition and construction	-	-	-	-
Other capital outlay	2,851,997	2,851,997	2,851,997	-
Total expenditures	91,887,780	108,268,175	75,215,341	33,052,834
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
6/30/10	- \$	43,156,329	\$ 43,156,329	0.00%	\$ 573,422,403	7.5%
6/30/11	-	30,367,852	30,367,852	0.00%	579,119,812	5.2%
6/30/12	-	31,732,418	31,732,418	0.00%	555,740,506	5.7%

Supplementary Information

District School Board of Pinellas County
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2012

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 Education:				
School Breakfast Program	10.553	321	\$ 5,253,615	\$ -
National School Lunch Program	10.555	300,350	20,339,366	-
Summer Food Service Program for Children	10.559	323	273,637	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	None	2,591,585	-
Total Child Nutrition Cluster			28,458,203	-
Total United States Department of Agriculture			28,458,203	-
United States Department of Energy:				
Indirect:				
WorkNet Pinellas, Inc.:				
Weatherization Assistance for Low-Income Persons	81.042	None	233,161	-
Total United States Department of Energy			233,161	-
United States Department of Education:				
Direct:				
Impact Aid	84.041	N/A	25,986	-
Federal Pell Grant Program	84.063	N/A	3,999,073	-
Fund for the Improvement of Education	84.215	N/A	553,287	-
Foreign Language Assistance	84.293	N/A	197,925	-
Teacher Incentive Fund	84.374	N/A	1,420,100	-
Total Direct			6,196,371	-

(Continued)

District School Board of Pinellas County
Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2012

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass-Through Grantor Number	Expenditures	Amount Provided to Subrecipients
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	26,590,357	75,000
Special Education - Preschool Grants	84.173	266, 267	809,471	-
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	4,631,685	-
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	21,713	-
Total Special Education Cluster			32,053,226	75,000
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	29,024,040	157,481
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 222, 223, 226	2,820,369	-
Total Title I, Part A Cluster			31,844,409	157,481
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	84,511	-
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	22,229	-
Total Education for Homeless Children and Youth Cluster			106,740	-
Educational Technology State Grants Cluster:				
Florida Department of Education:				
ARRA - Education Technology State Grants, Recovery Act	84.386	121, 122	159,708	-
Total Educational Technology State Grants Cluster			159,708	-

(Continued)

District School Board of Pinellas County
 Schedule of Expenditures of Federal Awards (Continued)
 For The Year Ended June 30, 2012

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass-Through Grantor Number	Expenditures	Amount Provided to Subrecipients
United States Department of Education:				
Indirect:				
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	1,724,713	-
ARRA - School Improvement Grants, Recovery Act	84.388	126	2,373,435	-
Total School Improvement Grants Cluster			4,098,148	-
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	7,913	-
Total State Stabilization Fund Cluster			7,913	-
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	1,701,881	-
Career and Technical Education - Basic Grants to States	84.048	161	1,555,251	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	7,426	-
Even Start - State Educational Agencies	84.213	219	17,333	-
Charter Schools	84.282	298	950,000	950,000
English Language Acquisition Grants	84.365	102	564,601	-
Improving Teacher Quality State Grants	84.367	224	4,637,132	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL, RD, RG, RS111-811	2,708,827	-
ARRA - Education Jobs Fund, Recovery Act	84.410	541	320,879	-
Total Indirect			80,733,474	1,182,481
Total United States Department of Education			86,929,845	1,182,481

(Continued)

District School Board of Pinellas County
Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2012

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass- Through Grantor Number	Expenditures	Amount Provided to Subrecipients
United States Department of Education:				
Indirect:				
United States Department of Health and Human Services:				
Direct:				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	4,375	-
Health Resources and Services Administration - ACA Grants for School Based Health Centers	93.501	N/A	63,044	-
Indirect:				
Pinellas County Health Department:				
Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	93.520	PSA32 and PSA40	608,709	-
Florida Department of Education:				
Refugee and Entrant Assistance - Discretionary Grants	93.576	135	52,336	-
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State Administered Programs	93.566	LK794	495,058	-
Total United States Department of Health and Human Services			1,223,522	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	201,001	-
Navy Junior Reserve Officers Training Corps	None	N/A	28,908	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	65,534	-
Total United States Department of Defense			295,443	-
Total Expenditures of Federal Awards			\$ 117,140,174	\$ 1,182,481

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, 2012

Note 1 - 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 modified accrual 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*. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

Note 2 - Noncash Assistance - National School Lunch Program

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 Dr. Michael Grego, 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2013. 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

Management of the District School Board of Pinellas County is responsible for establishing and maintaining effective 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items IC2012-1 and IC2012-2, that we consider to be significant deficiencies in internal control over financial reporting.

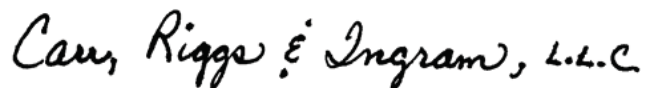
Compliance and Other Matters

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 20, 2013.

The District's response and corrective action plan to the findings identified in our audit are listed at pages 69 through 71. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Pursuant to Section 11.45(4), Florida Statutes, this report is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of District management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.



Carr, Riggs & Ingram, LLC
Clearwater, Florida
March 20, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR
A-133**

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

Compliance

We have audited the District School Board of Pinellas County's ("the District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District School Board of Pinellas County, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 2012-3 and 2012-4.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-3 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-4 to be a significant deficiency.

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.

Pursuant to Section 11.45(4), Florida Statutes, this report is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of District management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Clearwater, Florida
March 20, 2013

District School Board of Pinellas County
 Schedule of Findings and Questioned Costs
 For The Year Ended June 30, 2012

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, 2012:

- The auditor's report expresses an unqualified opinion on the basic financial statements of the District School Board of Pinellas County (the District).
- Two significant deficiencies 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.
- One material weakness and one significant deficiency 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 two (2) 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>
School Improvement Grants Cluster	84.388	\$ 4,098,148
Federal Pell Grant Program	84.063	3,999,073
Special Education Cluster	84.027, 84.173 84.391, 84.392	32,053,227
Title I Cluster	84.010, 84.389	31,844,408
Improving Teacher Quality State Grants	84.367	4,637,132
State Fiscal Stabilization - Race-to-the-Top Incentive Grants	84.395	2,708,827

- 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, 2012

Findings – Financial Statement Audit

**Significant Deficiency
Finding IC2010-1: 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 proposed audit adjustments and reclassification entries that were recorded to the financial statements in order for the financial statements to be in accordance with generally accepted accounting principles. A summary of those items are described below:

1. There was an adjustment of approximately \$3,400,000 to gross up cash and cash equivalents and salary payable to correctly state cash and cash equivalents for proper cutoff.
2. There was an adjustment made to the statement of activities to remove approximately \$15,100,000 from facilities acquisition and construction and miscellaneous revenue in order to properly report revenue and expense net of additions to obligations under capital lease.
3. Various entries had to be posted to accounts receivable and deferred revenue to appropriately state balances as of June 30, 2012.
4. The liability for self-insurance 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.

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 misstated and it would not be timely prevented or detected and corrected by management.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2012

Recommendation

The District should review and establish internal control policies and procedures to ensure all manual or infrequent transactions or procedures are reviewed by at least one additional member of management. This significant deficiency continues to be relevant from the prior two years and was reported as Finding No. 2 in the Auditor General's report No. 2012-150 for the fiscal year ending June 30, 2011 and Finding 2010-1 in our report for the fiscal year ending June 30, 2010.

Findings – Financial Statement Audit

Significant Deficiency

Finding IC2010-2: 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 \$9,200,000 had to be removed from additions to buildings and fixed equipment to correctly state the additions to capital assets.
2. There was an adjustment to remove approximately \$8,500,000 of accumulated depreciation of property under capital lease to properly state the deletions to property under capital lease.
3. Due to these two entries above an adjustment of approximately \$17,700,000 to decrease the loss on disposal of capital assets was needed.

Cause

There is not an adequate review of the accounting records and financial reporting relating to capital assets transactions. In addition, the process around capital assets is highly manual and material misstatements are possible without a thorough review process in place to check year-end adjustments to capital assets based on the year-end capital asset reports.

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 and was reported as Finding No. 10 in the Auditor General's report No. 2012-150 for the fiscal year ending June 30, 2011 and Finding 2010-2 in our report for the fiscal year ending June 30, 2010.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2012

Findings and Questioned Costs for Major Federal Award Programs

Finding 2012-3: Timely Return of Unearned Title IV Funds and Notification to Student

Federal Agency:	U.S. Department of Education
State Agency:	Florida Department of Education
Program:	Federal Pell Grant Program (PELL)
CFDA #:	84.063
Award #:	Various
Award Year:	2011-2012
Finding Type:	Noncompliance and Material Weakness
Questioned Costs:	Not applicable

Criteria

34 CFR 668.22(j) "Timeframe for the return of Title IV funds. (1) An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (l) (3) of this section. The timeframe for returning funds is further described in 668.173(b)."

34 CFR 668.22(ii) "Within 30 days of the date of the institution's determination that the student withdrew, an institution must send a notice to any student who owes a title IV, HEA grant overpayment as a result of the student's withdrawal from the institution in order to recover the overpayment in accordance with paragraph (h)(4)(i) of this section."

Finding

The District did not comply with 34 CFR 668.22(j) and 34 CFR 668.22(ii) requirements for Title IV funds. In addition, the institution did not have sufficient internal controls and oversight in place to properly meet the applicable requirements.

Condition

For 3 of the 4 students tested who withdrew early during the school year, the District did not notify students of their Title IV overpayment within the 30 day timeframe. In addition, the District did not return the unearned Title IV funds within 45 days as required by 34 CFR 668.22(j). Overpayments for the 3 students totaled \$1,409.82. The District sent out student letter notifications 79 to 165 days after the date of determination. In addition, the District took 79 to 173 days after the date of determination to restore Title IV funds. Students may be applying for future Title IV funds at the same time or after receiving notification that prior funds were due back to the District.

Cause

The District did not have adequate policies and procedures in place to monitor and comply with required Title IV fund provisions.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2012

Effect

The District is not in compliance with Title IV fund provisions

Recommendation

The District should enhance its policies, procedures, and internal controls to ensure the timely notification to students and return of unearned Title IV funds to the applicable Federal programs.

Contact and Telephone Number

Cathy Davidson, Director of Accounting, 727-588-6178,
Gina Zedonek, Financial Aid Director, 727-538-7167

Finding IC2012-4: Questioned Costs - Pell Grant Funds

Federal Agency:	U.S. Department of Education
State Agency:	Florida Department of Education
Program:	Federal Pell Grant Program (PELL)
CFDA #:	84.063
Award #:	P063P105378
Award Year:	2010-2011
Finding Type:	Noncompliance and Significant Deficiency
Questioned Costs:	\$4,371.51

Criteria

34 CFR 668.35 " A student who is in default on a loan made under a title IV, HEA loan program may nevertheless be eligible to receive Title IV, HEA program assistance if the student—(1) Repays the loan in full; or (2) Except as limited by paragraph (c) of this section— (i) Makes arrangements, that are satisfactory to the holder of the loan and in accordance with the individual Title IV, HEA loan program regulations, to repay the loan balance; and (ii) Makes at least six consecutive monthly payments under those arrangements."

Finding

The District obtained an Institutional Student Information Record on a student that indicated default on one or more student loans. The District obtained and documented payment satisfaction for one defaulted student loan but failed to document and obtain support on other loans in default. Internal controls are in place to determine the status of loan defaults; however, in this instance, the district failed to obtain proper documentation while overriding the default warning.

Condition

For 1 of the 25 student applications tested, the District improperly approved Title IV funds for a student totaling \$4,371.51 (PELL GRANT). The District should return the questioned costs to the Title IV program.

District School Board of Pinellas County
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2012

Cause

The District did not have adequate procedures in place when overriding the notice of default warning provided in the Institutional Student Information Record.

Effect

The District erroneously approved Title IV funding for a student that did not qualify for the funds at the time approval was made.

Recommendation

The District should enhance its procedures to monitor the approval process when overrides of data from the Institutional Student Information Record occur. Errors are known to exist in the SIR therefore overrides may be appropriate at certain times; however the District may be exposed to internal errors in judgment without establishing enhanced approval procedures.

Contact and Telephone Number

Cathy Davidson, Director of Accounting, 727-588-6178,
Gina Zedonek, Financial Aid Director, 727-538-7167

District School Board of Pinellas County
Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2012

Finding # per AG Report No. 2012-150	Management Letter Comments	Assessment of Finding by Florida Auditor General	Finding continues to be Relevant	Finding has been addressed or no longer relevant
	Investment Controls:			
1A	Investment Program Management	Significant		X
1B	Ethics Policies	Significant		X
1C	Investment Transaction Monitoring	Significant	X	
1D	Investment Program Performance Reporting and Monitoring	Significant	X	
1E	Cash Flow Projections	Significant	X	
1F	Accounting Controls	Significant		X
2	Financial Reporting	Significant	X(b)	
3	Bank Account Reconciliations	AM		X
4	Electronic Funds Transfers	AM		X
5	Cash Collections	AM		X
6	Performance Assessments	AM		X
7	Compensation and Salary Schedules	AM		X
8	Background Rescreenings	AM		X
9	Ad Valorem Taxation	AM		X
10	Capital Assets	AM	X(c)	
11	Construction Administration	AM		X
12	Facilities Management	AM	X	
13	Inventories – Separation of Duties	AM		X
14	Fund Balance Reporting	AM		X
15	Monitoring of Charter Schools	AM		X
16	Adult General Education Classes	AM		X
17	Workforce Education Postsecondary Student Fees	AM	X	
18	Workforce Education Program Funds – Indirect Costs	AM		X
19	Information Technology – Access Privileges	AM		X
20	Information Technology – Security Controls – User Authentication	AM		X
21	Information Technology – Security Incident Response Plan	AM		X
22	Information Technology – Risk Assessment	AM	X	
23	Information Technology – Security Awareness Training Program	AM		X

Legend:

- (a) Material = Material weakness; Significant = Significant deficiency; AM = Additional matter
- (b) Also see significant deficiency reported on the Schedule of Findings and Questioned Costs (Finding IC2012-1)
- (c) Also see significant deficiency reported on the Schedule of Findings and Questioned Costs (Finding IC2012-2)

District School Board of Pinellas County
 Summary Schedule of Prior Audit Findings
 For The Year Ended June 30, 2012

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

Audit Report and Schedule Paragraph No.	Program/Area	Brief Description	Status
2011-1	Multiple	Private school participation	Resolved
2011-2	Special Education (IDEA)	Matching, level of effort, earmarking - early intervention services	Resolved
2011-3	Multiple	Allowable costs/ costs principles	Resolved
2011-4	Multiple	CARDS reconciliations	Resolved
2011-5	Pell Grant	Cash management and financial reporting	Resolved
2011-6	Title I Part A Cluster	Highly qualified teachers	Resolved

District School Board of Pinellas County
Corrective Action Plan
For the Year Ended June 30, 2012

Finding IC2012-1: Financial Reporting

This comment has been made for a number of years because the current financial system is very old and requires a very large number of manual entries to create the required reports for Federal and State reporting as well as monthly reports that provide information to the Board. We have asked our auditors for suggestions as to how to improve our manual processes to make them more efficient and to allow for easier review. The Finance team will also monitor these processes to make sure they are reviewed by at least one additional member of management.

The District is looking for a new district wide software system. We are hopeful that a new system will integrate a lot of the manual processes and reduce the manual nature of our current system.

Finding IC2012-2: Capital Assets

The Finance team will monitor these processes to make sure they are reviewed by at least one additional member of management. The current financial system is very old and requires much manual entry to create the required reports for Federal and State reporting as well as monthly reports that provide information to the Board. The District is looking for a new software system which would integrate a lot of the manual process and reduce the manual nature of our current system.

Finding IC2012-3: Timely Return Unearned Title IV Funds

We agree with this finding.

The process for receiving timely notification on student withdrawals needs improvement. Additionally, there needs to be greater emphasis on calculating the amount of refund due and returning the funds to the Title IV program within the required timeline.

Instructional staff will be reminded about the importance of communicating termination information to the Records Office without delay. The Financial Aid Office will work with the Records Office to improve procedures pertaining to notification of enrollment changes and. Furthermore, the Financial Aid Office will develop and utilize a checklist that tracks the status of R2T4 notifications and refunds thru each stage of the process from drop date to notification and ultimately to request and submission of refund by the Cash Management Department at the district office.

Finding IC2012-4: Questioned Costs – Pell Grant Funds

We agree with this finding.

There is a process in place for screening out students who are in default of a student loan, and/or owe refunds on Pell Grants. That process was not properly followed in this instance. The student had indicated the loans from previously attended schools had been consolidated and the default status lifted, however, the Financial Aid Office did not receive confirming documentation prior to disbursing additional Title IV funds.

We have reviewed the amount of the questioned costs and agree with the amount indicated in the audit finding.

We commit to better adherence to internal controls.

District School Board of Pinellas County
Corrective Action Plan
For the Year Ended June 30, 2012

Additional Matter – Construction Administration

The District plans to use a Request for Qualification document for professional services as allowed by Florida Statutes and School Board Policy for 2013/2014 projects. Also, during the 2013 and 2014 fiscal years the District has plans to update the following:

- Construction Management (CM) Agreement
- Create CM Negotiation Worksheet
- P/A/E Handbook
- Plan Review process
- Share Folder Forms
- Inspection Process
- Evaluations for selecting a P/A/E and CM
- Board Agenda Templates
- Checklists for small and big projects
- Boilerplate for small projects (Hard bid – contracts)

Additional Matter – Workforce Education Postsecondary Student Fees

The finding is noted. The District's School Board Attorney has researched the matter and has found no violation in past District practice.

District's Responses to Findings that Continue to be Relevant from the Prior Year Report

Prior Year Finding Significant Deficiency Investment Controls 1C

The investment policy does not specify that approval of investment transactions is required. The policy does require that duplicate confirmations and account statements are to be delivered to the Associate Superintendent, Finance & Business Services. In the instance noted by the Auditor General, the broker had neglected to set up the duplicate mailings are requested by staff. Situation was rectified when it was discovered.

As a result of discussion at the 12/4/12 Investment Oversight Committee meeting, a system will be instituted to track the receipt of confirmation by the Cash Management department and the receipt of duplicate confirmations by the Associate Superintendent, Finance & Business Services office.

As of 2/28/13: Tracking workbook has been created and is currently being used to track receipt of confirmations for both the Finance and Cash Management Departments.

District School Board of Pinellas County
Corrective Action Plan
For the Year Ended June 30, 2012

Prior Year Finding Significant Deficiency Investment Controls 1D

The Auditor General noted that the 9/30/10 and 12/31/10 quarterly investment reports were not presented to the Board for 117 and 116 days respectively. They also noted that the 3/31/11 and 6/30/11 reports were not presented to the Board for 75 days (each). Staff notes that the timing has decreased by approximately 30 days from the beginning of the year to the end of the year. Staff also feels that 75 days is an acceptable time frame for getting the report to the Board. Staff will continue to work to shave days off the reporting delay.

Prior Year Finding Significant Deficiency Investment Controls 1E

To eliminate the recurrence of this finding, staff will review each year's starting balances with the Associate Superintendent, Finance & Business Services and the Executive Director, Budget & Resource Allocation.

As a result of discussion at the 12/4/12 Investment Oversight Committee meeting, a procedure will be developed to establish the beginning balances at the start of the fiscal year. Changes to the expected revenue/expenditures for the year will be reviewed quarterly and implemented if necessary.

Prior Year Finding Additional Matter Information Technology – Risk Assessment

A formalized risk assessment has not been completed. We have been looking at different risk assessments formalization processes and related costs. Many different options are available that cover various areas of the department and we will continue to determine which option best suites the needs to the District.

MANAGEMENT LETTER

To the District School Board of Pinellas County
and Dr. Michael Grego, 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, 2012, and have issued our report thereon dated March 20, 2013.

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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 20, 2013, 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 the Schedule of Findings and Questioned Costs and the related Corrective Action plan.
- 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 in the Schedule of Findings and Questioned Costs.
- 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. No conditions were noted during the course of our audit that met the conditions described in Section 218.503(1).
- 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.
- Section 10.804(1)(f)8., Rules of the Auditor General, requires the auditor to state whether or not the district school board complied with transparency requirements (Section 2, Specific Appropriation 116 through 130 of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their Web sites to the Transparency Florida Web site). In connection with our audit, we determined that the District complied with transparency requirements.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Clearwater, Florida
March 20, 2013