

District School Board Of Pinellas County

**Financial Statements and
Supplementary Information**

June 30, 2013



Certified Public Accountants
Business Consultants
Limited Liability Company

District School Board of Pinellas County

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Pinellas County (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in Note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component unit's columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the aggregate discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the District School Board of Pinellas County, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Certified Public Accountants

March 6, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**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 2012-13 fiscal year are as follows:

- In total, net position decreased \$36.5 million, which represents a 1.8 percent decrease from the 2011-12 fiscal year.
- General revenues total \$875.8 million or 92.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$67.2 million or 7.1 percent of all revenues.
- Expenses total \$979.4 million or a decrease of \$8.2 million from the prior year; only \$67.2 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 \$57.2 million, or 7.9 percent of total General Fund revenues. These fund balances include \$6.0 million of non-spendable funds, \$24.3 million of restricted funds, \$19.3 million of assigned funds and \$7.5 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 Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary.	Activities the District provides to other funds. The District's self insurance program is the only proprietary operation.	Assets held by the District in a trustee or grant capacity such as the internal accounts of the schools.
Required financial statements	Statement of net position, and statement of activities.	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net position, and statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position, and statement of changes in fiduciary net position.
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 position 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 position 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 position, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position 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 position 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 position – Below is a summary of the District's net position for the year ended June 30, 2013, as compared to June 30, 2012.

	<u>2012</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percentage change</u>
Current Assets	\$ 382,692,642	\$ 356,788,998	\$ (25,903,644)	
Net Capital Assets	<u>1,841,487,963</u>	<u>1,813,431,312</u>	<u>(28,056,651)</u>	
Total Assets	<u>\$ 2,224,180,605</u>	<u>\$ 2,170,220,310</u>	<u>\$ (53,960,295)</u>	-2.43%
Other Liabilities	\$ 96,826,236	\$ 90,271,325	\$ (6,554,911)	
Long-term Liabilities	<u>133,392,850</u>	<u>124,210,506</u>	<u>(9,182,344)</u>	
Total Liabilities	<u>\$ 230,219,086</u>	<u>\$ 214,481,831</u>	<u>\$ (15,737,255)</u>	-6.84%
Net Position:				
Net Investment in Capital				
Assets	\$ 1,800,071,994	\$ 1,777,556,490	\$ (22,515,504)	
Restricted	222,209,847	216,539,444	(5,670,403)	
Unrestricted (Deficit)	<u>(30,052,814)</u>	<u>(38,357,455)</u>	<u>(8,304,641)</u>	
Total Net Position	<u>\$ 1,992,229,027</u>	<u>\$ 1,955,738,479</u>	<u>\$ (36,490,548)</u>	-1.83%

The District's net position decreased 1.8% to \$1.96 billion. This was in line with a decrease in total assets and a decrease in total liabilities. The District reported an unrestricted net position deficit of \$38.3 million, due to accounting required by generally accepted accounting principles. The calculation of net position uses an historical cost of school buildings that may not accurately reflect the true value. The District's schools and support buildings are in excellent condition as a result of sufficient annual funds appropriated for maintenance and repair. The District's net investment in capital assets decreased by \$28.5 million as depreciation expense and asset retirements were greater than the capital additions made by the District.

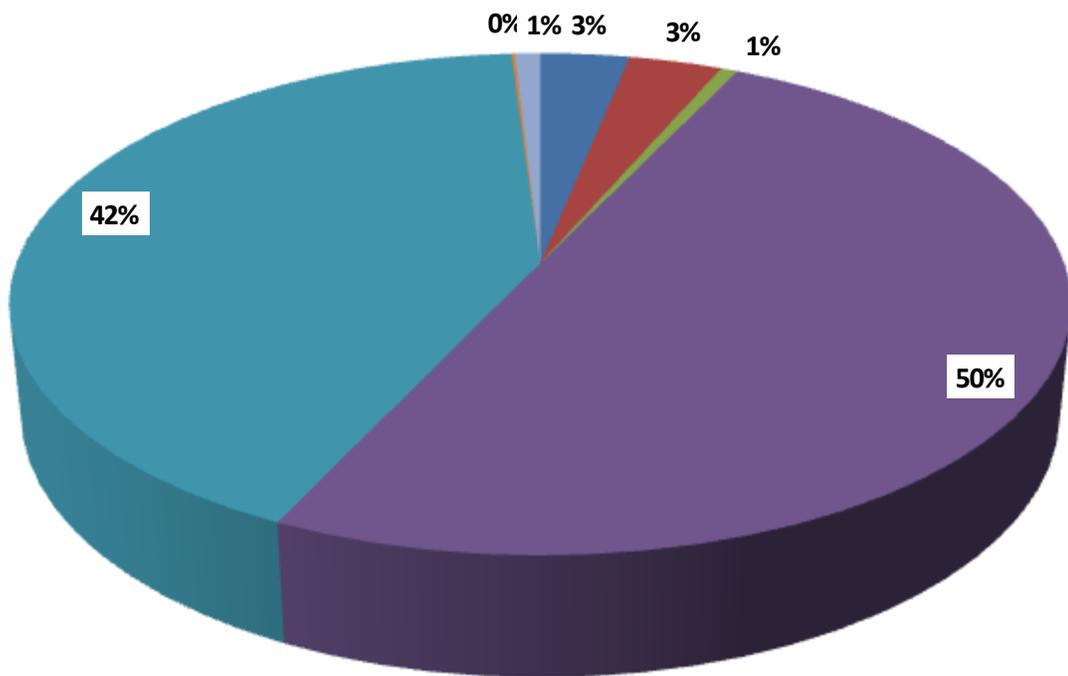
Changes in Net position - The table below shows the changes in net position for 2012 and 2013.

	<u>2012</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 28,897,116	\$ 30,033,162
Operating Grants and contributions	28,986,770	31,374,193
Capital Grants and contributions	5,453,720	5,766,704
General Revenues		
Property taxes	490,011,273	471,859,731
Grants and contributions not restricted to specific programs	381,706,894	396,484,820
Unrestricted investment earnings	3,091,917	(1,118,020)
Miscellaneous	8,704,312	8,536,376
Total Revenues	<u>946,852,002</u>	<u>942,936,966</u>
Expenses		
Instruction	549,808,548	554,853,910
Pupil personnel services	38,790,556	39,841,312
Instructional media services	10,167,569	9,863,882
Instruction and curriculum development	21,449,384	17,593,504
Instructional staff training	13,364,134	13,985,950
Instruction related technology	11,970,767	11,798,584
School Board	7,428,807	4,823,639
General administration	5,107,703	5,572,420
School administration	51,025,846	51,155,928
Facilities acquisition and construction	1,675,162	9,984,019
Fiscal services	3,697,294	4,000,480
Food services	41,432,795	47,287,303
Central services	12,727,811	12,420,948
Pupil transportation services	33,953,295	32,236,100
Operation of Plant	74,787,060	76,884,823
Maintenance of plant	21,321,715	21,229,216
Administrative technology services	6,532,661	5,106,634
Community services	5,057,795	4,413,922
Interest on long-term debt	2,195,336	2,180,079
Unallocated depreciation	57,113,068	47,788,917
Loss on disposal of capital assets	17,999,286	6,405,944
Total Expenses	<u>987,606,592</u>	<u>979,427,514</u>
Change in Net Position	(40,754,590)	(36,490,548)
Net Position Beginning	2,032,983,617	1,992,229,027
Net Position Ending	<u>\$ 1,992,229,027</u>	<u>\$ 1,955,738,479</u>

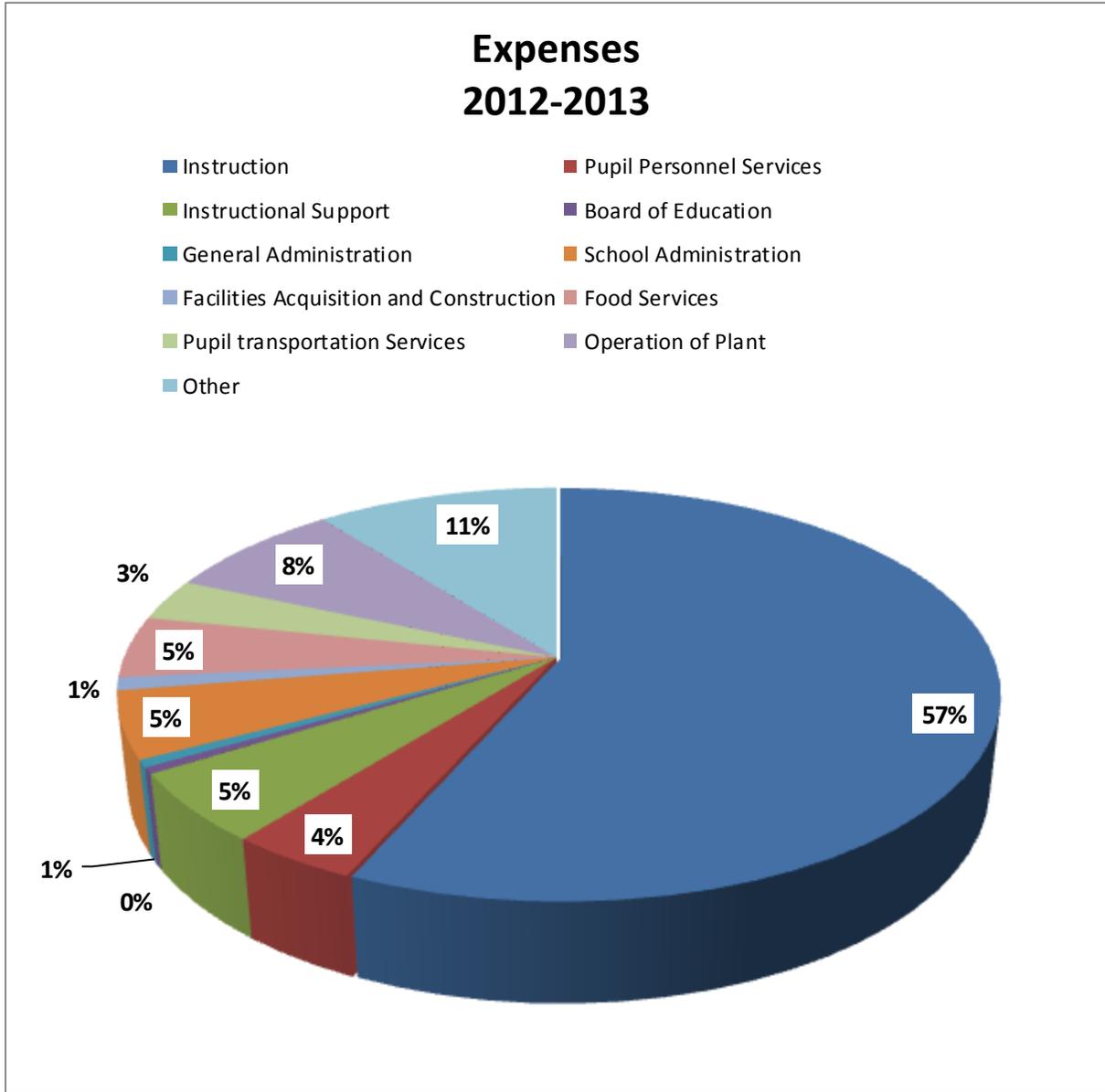
REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES
PERIOD ENDED JUNE 30, 2013

Revenue
2012-2013

- 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, 2013**



Financial Analysis of Individual Funds

The District completed the year with total governmental fund balances of nearly \$275.8 million, a decrease of \$15.9 million from 2012 total fund balances of \$291.7 million. This results from the use of certain reserves to offset declines in revenue which temporarily outpaced declines in expenditures.

The General Fund reported a \$3.3 million decrease in fund balance to \$57.2 million from 2012 compared to a fund balance decline in fiscal year 2012 of \$32.2 million. The District continues to realign its spending priorities and has proposed a budget for fiscal year 2013/14 which will result in an increase of approximately \$6.2 million in ending fund balance.

The ARRA Federal Stimulus Fund and the Other Federal Programs Fund had no residual fund balance as their reported revenues and expenditures offset equally every year.

The Local Capital Improvement Tax Fund, a capital projects fund, reported an increase in fund balance of \$1.2 million. This increase resulted from budgeted capital projects not completed in the current year. These funds will be available to meet future construction needs of the District.

Budget Variance in the General Fund

Overall actual revenue was substantially equal to the final budgeted revenue. Total expenditures were less than the final budgeted expenditures by \$7.3 million mostly from decreased costs for instruction and plant maintenance. The final budgeted expenditures were increased by \$23.1 million from the original budgeted amount. The financial model used by the District to predict future needs suggested some realignment resulting in expenditure adjustments. The largest portion of this increase was in cost of instruction which increased by \$13.5 million.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

By the end of fiscal year 2013, 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 \$28.1 million from 2012. Total capital assets increased by \$38.5 million, mostly in buildings for an increase of \$25.8 million. Accumulated depreciation increased by \$66.5 million, which is the current year's total of depreciation expense. More detailed information concerning capital assets can be found in Note 5 of the notes to the financial statements.

- Asset acquisitions totaled \$48.8 million.
- The District disposed of \$10.3 million in assets.
- The net change to construction in progress reflected a net increase of \$3.8 million.
- The District acquired technology assets through capital lease totaling \$440 thousand.
- The District recognized depreciation expense of \$70.5 million for the year.

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

	<u>2012</u>	<u>2013</u>
Land	\$ 97,151,873	\$ 97,213,078
Land Improvement-Non Depreciable	22,717,599	22,717,599
Construction in Progress	9,186,110	12,948,469
Buildings and Fixed Equipment	2,209,545,431	2,235,332,537
Relocatables	13,820,661	13,838,461
Improvements other than Building	8,339,919	8,519,955
Furniture, Fixtures and Equipment	120,475,688	127,534,628
Motor Vehicles	51,942,139	56,320,087
Audio Visual and Computer Software	13,859,469	13,777,489
Property Under Capital Lease	47,443,454	44,770,897
	<hr/>	<hr/>
Total Capital Assets	2,594,482,343	2,632,973,200
	<hr/>	<hr/>
Accumulated Depreciation	(752,994,379)	(819,541,888)
	<hr/>	<hr/>
Total Net Capital Assets	<u>\$ 1,841,487,964</u>	<u>\$ 1,813,431,312</u>

LONG-TERM DEBT

At year-end, the District had \$34.5 million in general obligation bonds and capital leases outstanding – a decrease of \$10.4 million or 23.1% from fiscal year end 2012. More detailed information about the District's long-term debt is presented in Notes 6-9 of the notes to the financial statements.

Outstanding Long-Term Obligations

	<u>2012</u>	<u>2013</u>	<u>Percentage Change</u>
General obligation debt	\$ 24,760,000	\$ 21,985,000	-11.2%
Compensated absences	91,944,355	89,401,531	-2.8%
Capital leases	20,126,432	12,546,264	-37.7%
Insurance claims	16,656,199	14,055,574	-15.6%
Postemployment health benefits	8,333,732	11,468,589	37.6%
	<hr/>	<hr/>	
	<u>\$ 161,820,718</u>	<u>\$ 149,456,958</u>	<u>-7.6%</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 fourth year) in order to supplement declining revenues in 2012-2013. As a result, the District received approximately \$4.9 million dollars of various ARRA Program funding. This is the final year of most ARRA funding. After this year, only the Race to the Top funding program 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 Position

June 30,

2013

	<u>Primary Governmental Activities</u>	<u>Component Units</u>
Assets		
Cash and cash equivalents	\$ 12,850,751	\$ 2,107,594
Investments	313,091,516	738,006
Accounts receivable	17,314,490	554,877
Interest receivable	621,057	-
Due from other agencies	5,830,713	521,590
Inventories	5,359,069	-
Prepaid items	1,721,402	384,531
Capital assets, net	1,813,431,312	10,839,411
Total assets	\$ 2,170,220,310	\$ 15,146,009
Liabilities and Net Position		
Salaries and wages payable	\$ 11,878,872	\$ 441,735
Payroll deductions and withholdings	37,470,125	19,796
Accounts payable and accrued expenses	9,544,695	1,830,898
Construction contracts payable	-	-
Construction contracts retainage payable	1,343,557	-
Due to other governmental agencies	4,437,536	10,259
Unearned revenues	327,264	101,250
Sales tax payable	22,824	-
Long-term liabilities:		
Portion due within one year	25,246,452	295,635
Portion due after one year	124,210,506	10,397,472
Total liabilities	214,481,831	13,097,045
Net position		
Net investment in capital assets	1,777,556,490	793,596
Restricted for:		
Categorical carryover programs	2,575,386	-
Food service	9,015,846	-
Capital projects	204,092,178	757,008
Debt service	704,439	-
Other purposes	151,595	-
Unrestricted	(38,357,455)	498,360
Total net position	1,955,738,479	2,048,964
Total liabilities and net position	\$ 2,170,220,310	\$ 15,146,009

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

Statement of Activities

Year ended June 30,

2013

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	\$ 554,853,910	\$ 3,828,748	\$ -	\$ -	\$ (551,025,162)	\$ -	
Pupil personnel services	39,841,312	-	-	-	(39,841,312)	-	
Instructional media services	9,863,882	-	-	-	(9,863,882)	-	
Instruction and curriculum development	17,593,504	-	-	-	(17,593,504)	-	
Instructional staff training	13,985,950	-	-	-	(13,985,950)	-	
Instruction related technology	11,798,584	-	-	-	(11,798,584)	-	
School Board	4,823,639	-	-	-	(4,823,639)	-	
General administration	5,572,420	-	-	-	(5,572,420)	-	
School administration	51,155,928	4,802,201	-	-	(46,353,727)	-	
Facilities acquisition and construction	9,984,019	-	-	5,766,704	(4,217,315)	-	
Fiscal services	4,000,480	-	-	-	(4,000,480)	-	
Food services	47,287,303	10,737,652	31,374,193	-	(5,175,458)	-	
Central services	12,420,948	-	-	-	(12,420,948)	-	
Pupil transportation services	32,236,100	10,664,561	-	-	(21,571,539)	-	
Operation of plant	76,884,823	-	-	-	(76,884,823)	-	
Maintenance of plant	21,229,216	-	-	-	(21,229,216)	-	
Administrative technology services	5,106,634	-	-	-	(5,106,634)	-	
Community services	4,413,922	-	-	-	(4,413,922)	-	
Interest on long-term debt	2,180,079	-	-	-	(2,180,079)	-	
Unallocated depreciation/amortization expense	47,788,917	-	-	-	(47,788,917)	-	
Loss on disposal of capital assets	6,405,944	-	-	-	(6,405,944)	-	
Total governmental activities	\$ 979,427,514	\$ 30,033,162	\$ 31,374,193	\$ 5,766,704	(912,253,455)	-	
Component Units							
Charter schools/foundations	\$ 31,087,984	\$ 645,213	\$ 907,436	\$ 972,097	-	(28,563,238)	

General revenues:

Taxes:			
Property taxes, levied for general purposes	386,633,210	-	
Property taxes, levied for capital projects	85,226,521	-	
Franchise taxes	-	-	
Public service taxes	-	-	
Grants and contributions not restricted to specific programs	396,484,820	28,625,119	
Investment earnings/(loss)	(1,118,020)	149	
Miscellaneous	8,536,376	112,520	
Transfers	-	-	
Total general revenues	<u>875,762,907</u>	<u>28,737,788</u>	
Change in net position	(36,490,548)	174,550	
Net position - beginning	1,992,229,027	1,845,462	
Net position - ending	<u>\$ 1,955,738,479</u>	<u>\$ 2,048,964</u>	

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

Balance Sheet Governmental Funds

June 30,

2013

	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	\$ 12,188,156	\$ -	\$ 250,076	\$ 32,486	\$ 29,524	\$ 12,500,242
Restricted cash	275,491	-	-	-	-	275,491
Investments	68,568,655	1,203,709	211,220,611	246,677	17,430,690	298,670,342
Accounts receivable, net	671,487	1,385,819	285,936	12,640,698	1,786,666	16,770,606
Interest receivable	149,806	-	409,736	-	33,593	593,135
Due from other funds	20,065,981	1,448	-	46,741	4,158,420	24,272,590
Due from other agencies	3,813,943	-	-	-	1,980,957	5,794,900
Inventory	4,319,155	-	-	-	1,039,915	5,359,070
Prepaid items	1,716,145	-	-	-	5,257	1,721,402
Total assets	\$ 111,768,819	\$ 2,590,976	\$ 212,166,359	\$ 12,966,602	\$ 26,465,022	\$ 365,957,778
Liabilities and fund balances						
Liabilities:						
Salaries, benefits and payroll taxes payable	\$ 11,878,872	\$ -	\$ -	\$ -	\$ -	\$ 11,878,872
Payroll deductions and withholdings	32,561,987	1,549,397	-	3,319,175	39,567	37,470,126
Accounts payable	2,631,293	20,018	6,200,811	697,421	215,210	9,764,753
Construction contracts payable - retained percentage	-	-	763,169	-	580,388	1,343,557
Sales tax payable	23,522	-	-	-	-	23,522
Due to other agencies	3,960,316	37,709	-	369,287	70,224	4,437,536
Due to other funds	3,490,991	983,852	2,922,647	8,580,719	8,958,181	24,936,390
Unearned revenue	16,902	-	-	-	310,362	327,264
Total liabilities	54,563,883	2,590,976	9,886,627	12,966,602	10,173,932	90,182,020
Fund balances:						
Nonspendable:						
Inventory	4,319,155	-	-	-	1,039,915	5,359,070
Prepaid amounts	1,716,145	-	-	-	5,257	1,721,402
Permanent funds	-	-	-	-	151,595	151,595
Total Nonspendable fund balance	6,035,300	-	-	-	1,196,767	7,232,067
Restricted for:						
State required carryover programs	2,575,386	-	-	-	-	2,575,386
Tax levy	2,120,133	-	-	-	-	2,120,133
Workforce development	19,598,985	-	-	-	-	19,598,985
Food service	-	-	-	-	9,015,845	9,015,845
Debt service	-	-	-	-	704,439	704,439
Capital projects	-	-	202,279,732	-	1,812,447	204,092,179
Total restricted fund balance	24,294,504	-	202,279,732	-	11,532,731	238,106,967
Assigned to:						
General fund	19,335,627	-	-	-	-	19,335,627
Capital projects	-	-	-	-	3,561,592	3,561,592
Total assigned fund balance	19,335,627	-	-	-	3,561,592	22,897,219
Unassigned fund balance	7,539,505	-	-	-	-	7,539,505
Total fund balances	57,204,936	-	202,279,732	-	16,291,090	275,775,758
Total liabilities and fund balances	\$ 111,768,819	\$ 2,590,976	\$ 212,166,359	\$ 12,966,602	\$ 26,465,022	\$ 365,957,778

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

<i>June 30,</i>	2013
Total fund balances, governmental funds	\$ 275,775,758
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources are not reported in the governmental funds; the cost of assets is \$2,632,973,200, and the related accumulated depreciation is \$819,541,888.	1,813,431,312
Internal service funds are used by management to charge the costs of risk management services to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,932,793
Long term liabilities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities -- both current and long-term -- are reported in the statement of net position.	
Compensated absences payable	(89,401,531)
Bonds payable	(21,985,000)
Postemployment healthcare benefits payable	(11,468,589)
Obligations under capital leases	(12,546,264)
Net position of governmental activities in the statement of net position	\$ 1,955,738,479

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,

2013

	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	\$ 348,450	\$ -	\$ -	\$ 4,589,516	\$ -	\$ 4,937,966
Federal through state	2,988,941	4,858,884	-	66,090,362	30,847,965	104,786,152
State sources	317,461,616	-	-	214,632	6,225,350	323,901,598
Local sources	407,264,603	-	84,296,489	-	12,801,134	504,362,226
Total revenues	728,063,610	4,858,884	84,296,489	70,894,510	49,874,449	937,987,942
Expenditures						
Current:						
Instruction	512,073,818	2,304,958	-	36,213,829	-	550,592,605
Pupil personnel services	30,184,235	135,512	-	9,418,038	-	39,737,785
Instructional media services	9,485,373	1,098	-	276,812	-	9,763,283
Instructional and curriculum development	9,576,434	662,550	-	7,269,178	-	17,508,162
Instructional staff training	4,517,990	506,678	-	8,929,887	-	13,954,555
Instruction related technology	2,365,407	131,406	-	269,544	-	2,766,357
School Board	1,281,631	-	-	1,400	-	1,283,031
General administration	2,375,088	273,509	-	2,858,668	-	5,507,265
School administration	50,368,692	201,279	-	422,988	-	50,992,959
Facilities acquisition and construction	493,751	-	11,758	10,500	71,136	587,145
Fiscal services	3,903,148	22,554	-	52,619	5,051	3,983,372
Food services	149,733	-	-	11,845	46,520,530	46,682,108
Central services	11,593,537	239,097	-	359,569	-	12,192,203
Pupil transportation services	31,900,128	-	-	53,143	-	31,953,271
Operation of plant	76,669,440	113	-	131,740	-	76,801,293
Maintenance of plant	21,150,335	-	-	-	-	21,150,335
Administrative technology services	4,726,118	38,816	-	284,957	-	5,049,891
Community services	661,246	341,314	-	3,409,156	-	4,411,716
Fixed capital outlay:						
Facilities acquisition and construction	184,821	-	41,034,482	449,914	2,717,756	44,386,973
Other capital outlay	2,131,169	-	-	470,723	3,059,879	5,661,771
Debt Service:						
Retirement of principal	-	-	8,115,254	-	2,775,000	10,890,254
Interest and fiscal charges	-	-	799,423	-	1,237,850	2,037,273
Dues, fees, and issuance costs	-	-	-	-	142,803	142,803
Total expenditures	775,792,094	4,858,884	49,960,917	70,894,510	56,530,005	958,036,410
Excess (deficiency) of revenues over expenditures	(47,728,484)	-	34,335,572	-	(6,655,556)	(20,048,468)
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	1,086,101	1,086,101
Loss recoveries	315,928	-	-	-	-	315,928
Obligations under capital leases	-	-	440,293	-	-	440,293
Transfers in	44,090,000	-	-	-	-	44,090,000
Transfers out	-	-	(33,583,979)	-	(8,206,021)	(41,790,000)
Total other financing sources and (uses)	44,405,928	-	(33,143,686)	-	(7,119,920)	4,142,322
Net change in fund balances	(3,322,556)	-	1,191,886	-	(13,775,476)	(15,906,146)
Fund balances, July 1, 2012	60,527,492	-	201,087,846	-	30,066,566	291,681,904
Fund balances, June 30, 2013	\$ 57,204,936	\$ -	\$ 202,279,732	\$ -	\$ 16,291,090	\$ 275,775,758

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>	2013
Net change in fund balances - total governmental funds:	\$ (15,906,146)
Amounts reported for governmental activities in the Statement of Activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.</p>	
Depreciation expense	(70,450,266)
Capital purchases	48,799,559
	(21,650,707)
<p>In the statement of activities, only the loss on the sale/disposal of capital assets is reported. The changes in the net position differs from the change in fund balance by the cost of the capital assets sold/disposed or adjusted in value.</p>	
	(6,405,944)
<p>The issuance of bonds and similar long-term debt provides current financial resources to the governmental funds and this contributes to the change in fund balance. In the statement of activities; however, issuing debt increases long-term liabilities but does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:</p>	
Principal payments	
Bonds	2,775,000
Capital leases	8,020,460
Issuance of debt	
Capital leases	(440,293)
	10,355,167
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities; however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:</p>	
Compensated absences	2,542,828
Other post-employment benefits	(3,134,857)
	(592,029)
<p>Internal service funds are used by management to charge the cost of risk management services to other funds. The net revenue of internal service funds is reported with the governmental activities.</p>	
	(2,290,889)
Change in net position of governmental activities	\$ (36,490,548)

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

Statement of Net Position
Proprietary Fund

<i>June 30,</i>		2013
		Governmental Activities - Internal Service Fund
<hr/>		
Assets		
Cash and cash equivalents	\$	75,018
Accounts receivable		543,884
Interest receivable		27,922
Due from other funds		1,383,096
Due from other agencies		35,813
Investments		14,421,174
<hr/>		
Total assets	\$	16,486,907
<hr/> <hr/>		
Liabilities		
Insurance claims payable	\$	14,055,574
Due to other funds		498,540
<hr/>		
Total liabilities		14,554,114
Net position:		
Unrestricted		1,932,793
<hr/>		
Total liabilities and net position	\$	16,486,907
<hr/> <hr/>		

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund**

<i>Year ended June 30,</i>	2013
	Governmental Activities - Internal Service Fund
Operating Revenues	
Premium revenues	\$ 3,588,689
Operating Expenses	
Insurance claims	3,537,880
Operating income	50,809
Nonoperating revenues	
Interest income	(41,698)
Income before transfers	9,111
Transfers out	(2,300,000)
Change in net position	(2,290,889)
Net position - beginning	4,223,682
Net position - ending	\$ 1,932,793

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

Statement of Cash Flows Proprietary Fund

<i>Year ended June 30,</i>	2013
	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from General and other funds	\$ 3,655,160
Cash payments for insurance claims and fees	(6,138,275)
Payments to other funds for services received	(3,688,532)
<hr/>	
Net cash used by operating activities	(6,171,647)
Cash flows from noncapital financing activities	
Transfers to other funds	(2,300,000)
<hr/>	
Net cash used by noncapital financing activities	(2,300,000)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	9,086,502
Purchase of investments	(573,183)
Interest and dividends received	(41,698)
<hr/>	
Net cash provided by investing activities	8,471,621
<hr/>	
Net decrease in cash and cash equivalents	(26)
<hr/>	
Cash and cash equivalents, beginning of year	75,044
<hr/>	
Cash and cash equivalents, end of year	\$ 75,018
<hr/>	
Reconciliation of operating income to net cash used by operating activities	
Operating income	\$ 50,809
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable	15,389
Interest receivable	51,082
Due from other funds	(1,383,096)
Due from other agencies	(35,813)
Increase (decrease) in:	
Due to other funds	(2,269,623)
Insurance claims payable	(2,600,395)
<hr/>	
Net cash provided by operating activities	\$ (6,171,647)
<hr/>	

See accompanying Notes to Financial Statements.

District School Board of Pinellas County

Statement of Fiduciary Funds

June 30,

2013

Agency Fund

Assets

Cash and cash equivalents	\$	8,189,024
Receivables:		
Interest and Dividends		187
Other receivables		960,963
Due from other funds		195,582
Investments		96,028

Total assets \$ 9,441,784

Liabilities

Accounts payable	\$	102,985
Payroll deductions and withholdings		6,219
Due to other funds		416,338
Internal accounts payable		8,916,242

Total liabilities \$ 9,441,784

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., Alfred Adler, The Athenian Academy, Ben Gamla, Discovery Academy of Science, Imagine Charter, Imagine Middle School at St. Petersburg, Mavericks (North) High of Pinellas County (Largo), Mavericks (South) High of Pinellas County (St. Petersburg), MYcroSchool, Newpoint Charter School, NewStart High School, Pinellas Academy of Math & Science, Pinellas Preparatory Academy, Inc., Pinellas Primary, Plato Academy Charter School (Clearwater), Plato Academy of Tarpon Springs, Plato Academy (Seminole), Plato North Academy K-8 Charter School, Plato Academy South K-8, and Windsor Preparatory 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, i.e. the statement of net position and the statement of activities, present information about the District as a whole. 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. The 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)

Fund Financial Statements (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:

Proprietary 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)

Basis of Accounting (Continued)

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/unassigned resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted/unassigned 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.

New Pronouncements

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financial accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has implemented this statement for fiscal year 2013.

In December 2010, GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 although the District elected to early implement GASB 62 in fiscal year 2012. The adoption of GASB 62 did not have any impact on the District's financial statements.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Pronouncements (Continued)

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District has implemented this statement for fiscal year 2013. The adoption of GASB 63 did not have any impact on the District's financial statements.

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 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Florida Prime account consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as a liquid balance once transferred to Florida Prime.

Investments made locally consist of obligations of United States Government Agencies and Instrumentalities, domestic bonds and notes, commercial paper, bond mutual funds, and money market mutual funds. All are reported at fair value.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The District believes that all receivable balances are fully collectible.

Inventories

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

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position 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

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 position.

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

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long Term Liabilities (Continued)

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

State Revenue Sources

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department), under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE's and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations, based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

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

District Property Taxes

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

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

District School Board of Pinellas County

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District Property Taxes (Continued)

The School Board adopted the tax levy, for the 2012-13 fiscal year on September 11, 2012. 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.

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:

District School Board of Pinellas County

Notes to Financial Statements

NOTE 2 – BUDGETARY COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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, 2013, 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
Money Market Funds	\$ 36,101,549	\$ 36,101,549	\$ -	\$ -	\$ -
Florida PRIME Fund	167,549	167,549	-	-	-
SBA Fund B	589,726	-	-	589,726	-
Core Fund (Other Pooled Investments)	26,319,979	-	26,319,979	-	-
Non US Government/GSE Investments:					
Corporate Asset Backed Securities	52,153,776	19,645,343	32,508,433	-	-
Corporate Asset Backed Floating Rate Securities	13,663,860	-	13,663,860	-	-
Corporate Mortgage Backed Securites	57,617,333	31,949,069	25,668,264	-	-
Obligations of United States Government					
Agencies and Instrumentalities:					
Collateralized Mortgage Obligations Corporate Bonds	124,477,724	597,188	100,127,978	19,078,481	4,674,077
Collateralized Mortgage Obligations - Floating Rate	2,000,020	-	-	2,000,020	-
Total Investments Primary Government	313,091,516	88,460,698	198,288,514	21,668,227	4,674,077
Cash held in investment accounts	9,064,360	9,064,360	-	-	-
Total funds held in investment accounts	\$ 322,155,876	\$ 97,525,058	\$ 198,288,514	\$ 21,668,227	\$ 4,674,077

District School Board of Pinellas County

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

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 that are not money market investments, i.e. highly liquid investments.

Credit Risk

The District's investments in obligations of the United States government, agencies and instrumentalities totaling \$126,477,744 are reported at fair value. An implied rating based on the sovereign rating of the US government issued debt is used. As of June 30, 2013, this rating is AAA.

Money market funds are selected with the highest credit quality rating from a nationally recognized rating agency. As of June 30, 2013, the District had investments of \$45,165,909 in the First American Government Obligations, Federated Money Market Prime Obligations, Western Asset Institutional Cash Reserve, Morgan Stanley Prime, Government and Government Securities, Goldman Sachs Financial Square and Bank of America Money Market Reserves funds. All funds are rated AAAM by Standard and Poor's and Aaa-mf by Moody's.

The District has investments with a fair value of \$26,319,979 in the Core Fund at June 30, 2013. The Core Fund is a short-term U.S. government bond fund. This fund was rated AAA-f by Moody's.

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 \$123,434,969. All funds have at least one AAA rating from Standard and Poor's, Moody's Investor Services or Dunn and Bradstreet.

The District had \$167,549 invested in the State Board of Administration's Florida Prime fund, which is rated AAAM by Standard and Poor's. The District has \$527,266 book value, with a market value of \$589,726, remaining in State Board of Administration's Fund B. This fund is not rated. These funds are not accessible and are only released by the State Board of Administration when principal is returned on the underlying investments.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 3 – INVESTMENTS (CONTINUED)

Custodial Credit Risk

Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. All investments of the District are held in the District's name. The District does not have a formal investment policy that addresses custodial credit risk. \$265,355,715 of the District's investment securities and money market funds are held by the District's custodial agent in the name of the District.

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, 2013, as follows:

Issuer	Fair Value	Percentage of Total Investments, Primary Government
Non US Government/GSE Investments:		
JP Morgan Chase Commercial Mortgage	\$ 27,465,305	9%
GMAC Commercial Mortgage Securities	17,242,583	6%
Obligations of United States Instrumentalities:		
Federal National Mortgage Association	66,056,153	21%
Federal Home Loan Mortgage Corporation	37,805,086	12%
Government National Mortgage Association	22,616,508	7%

Foreign Currency Risk

The District has no investments exposed to foreign currency risk.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 20,065,981	\$ 3,490,991
Capital Projects:		
Local Capital Improvement Section 1011.71(2)	-	2,922,647
Federal Funds	46,741	7,912,501
Federal Funds (ARRA)	1,448	1,652,070
Nonmajor Governmental Funds		
Capital Outlay	-	6,745,859
Food Service	4,158,420	2,212,322
Internal Service	1,383,096	498,540
Fiduciary funds	195,582	416,338
	\$ 25,851,268	\$ 25,851,268

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

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

	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 44,090,000	\$ -
Capital Projects	-	33,583,979
Nonmajor Funds		
Sale of Property		6,727,679
Special Acts Bond		500,000
Charter School Capital Outlay		978,342
Internal Service	-	2,300,000
	\$ 44,090,000	\$ 44,090,000

District School Board of Pinellas County

Notes to Financial Statements

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

The \$33,583,979 transfer made from the Capital Improvement Section 1011.71(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund. Of that amount \$8,192,422 was transferred to cover property liability insurance expenditures that were incurred in the General Fund. The \$6,727,679 transfer from the sale of property and \$500,000 from the special acts bond was to fund property liability insurance expenditures that were incurred in the General Fund. The \$978,342 transfer from Other Capital Projects Fund to the General Fund was to cover capital outlay disbursements to the charter schools. There was an Internal Funds transfer of \$2,300,000 for operating activity.

NOTE 5 – CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 97,151,873	\$ 61,205	\$ -	\$ -	\$ 97,213,078
Land Improvements - Non-depreciable	22,717,599	-	-	-	22,717,599
Construction in Progress	9,186,110	12,244,239	8,481,880	-	12,948,469
Total Capital Assets Not Being Depreciated	129,055,582	12,305,444	8,481,880	-	132,879,146
Capital Assets Being Depreciated:					
Buildings and Fixed Equipment	2,209,545,431	29,596,385	3,809,279	-	2,235,332,537
Relocatables	13,820,661	17,800	-	-	13,838,461
Improvements other than Building	8,339,919	180,036	-	-	8,519,955
Furniture, Fixtures and Equipment	120,475,688	13,180,333	6,121,393	-	127,534,628
Motor Vehicles	51,942,139	1,311,533	46,435	3,112,850	56,320,087
Property Under Capital Lease	47,443,454	440,293	-	(3,112,850)	44,770,897
Audio Visual and Computer Software	13,859,469	249,616	331,596	-	13,777,489
Total Capital Assets Being Depreciated	2,465,426,761	44,975,996	10,308,703	-	2,500,094,054
Less Accumulated Depreciation for:					
Buildings and Fixed Equipment	586,505,446	45,162,491	1,978,381	-	629,689,556
Relocatables	10,761,033	500,354	-	-	11,261,387
Furniture, Fixtures and Equipment	82,954,004	10,455,749	1,353,015	-	92,056,738
Improvements other than Building	2,501,516	567,997	-	-	3,069,513
Motor Vehicles	33,082,894	3,735,742	378,960	3,112,850	39,552,526
Property Under Capital Lease	25,265,913	9,272,719	-	(3,112,850)	31,425,782
Audio Visual and Computer Software	11,923,573	755,214	192,401	-	12,486,386
Total Accumulated Depreciation	752,994,379	70,450,266	3,902,757	-	819,541,888
Total Capital Assets Being Depreciated, Net	1,712,432,382	(25,474,270)	6,405,946	-	1,680,552,166
Governmental Activities Capital Assets, Net	\$ 1,841,487,964	\$(13,168,826)	\$ 14,887,826	\$ -	\$ 1,813,431,312

The classes of property under capital leases are presented in Note 6.

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	\$ 3,859,438
Pupil personnel services	71,219
Instructional media services	93,087
Instruction and curriculum development services	71,503
Instructional staff training	21,105
Instructional related technology	9,030,206
Board of Education	1,954
General administration	63,068
School administration	27,441
Facilities acquisition and construction	8,147,334
Fiscal services	14,295
Food service	588,452
Central services	221,294
Pupil transportation services	264,572
Operation of plant	59,066
Maintenance of plant	72,337
Administrative technology	53,110
Community services	1,868
Unallocated	47,788,917
	\$ 70,450,266

NOTE 6 – OBLIGATIONS UNDER CAPITAL LEASES

The assets acquired through capital lease for governmental activities were for technology in the amount of \$44,770,897.

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

	Total	Principal	Interest
2014	\$ 7,532,272	\$ 7,051,478	\$ 480,794
2015	4,720,844	4,523,185	197,659
2016	956,818	923,862	32,956
2017	49,169	47,739	1,430
	\$ 13,259,103	\$ 12,546,264	\$ 712,839

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

District School Board of Pinellas County

Notes to Financial Statements

NOTE 7 – BONDS PAYABLE

Bonds payable at June 30, 2013, were as follows:

	Amount	Interest Rates (Percent)	Maturity
State School Bonds:			
Series 2010-A, Refunding	\$ 120,000	4.2-5.0	2021
Series 2005-B, Refunding	21,865,000	5	2020
Total Bonds Payable	\$ 21,985,000		

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.

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

	Total	Principal	Interest
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	3,993,350	3,520,000	473,350
2019-2021	6,400,600	5,950,000	450,600
	\$ 26,405,350	\$ 21,985,000	\$ 4,420,350

District School Board of Pinellas County

Notes to Financial Statements

NOTE 8 – 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	\$ 91,944,355	\$ 8,376,918	\$ 10,919,742	\$ 89,401,531	\$ 11,423,063
Estimated insurance claims payable	16,656,199	1,383,096	3,983,721	14,055,574	3,861,911
Bonds payable	24,760,000	-	2,775,000	21,985,000	2,910,000
Post employment health care benefits	8,333,732	5,410,299	2,275,442	11,468,589	-
Obligations under capital leases	20,126,432	440,293	8,020,461	12,546,264	7,051,478
Total	\$ 161,820,718	\$ 15,610,606	\$ 27,974,366	\$ 149,456,958	\$ 25,246,452

For the governmental activities, compensated absences and other post-employment health care benefits are generally liquidated with resources of the General Fund.

NOTE 9 – RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be assigned at fiscal year-end to report an amount likely to be expended from the 2013 - 2014 fiscal year budget as a result of purchase orders outstanding at June 30, 2013.

NOTE 10 – 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.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 10 – FUND BALANCE REPORTING (CONTINUED)

- 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, 2013.
- 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 10 – FUND BALANCE REPORTING (CONTINUED)

The following is a schedule of fund balances by category as June 30, 2013:

Nonspendable:

General Fund:

Inventory \$ 4,319,155

Prepaid Expenditures 1,716,145

Permanent Fund Endowment

(Blair Estate) 151,595

Food Service:

Inventory 1,039,915

Prepaid Expenditures 5,257

Total Nonspendable 7,232,067

Restricted:

General Fund:

Restricted State Carryovers 2,575,386

Referendum 2,120,133

Workforce Education pTEC's 10,191,472

Workforce Education Career Adult Ed 9,407,513

Debt Service 704,439

Capital Projects 204,092,179

Food Service 9,015,845

Total Restricted 238,106,967

Assigned:

General Fund:

Encumbrances 7,260,202

Central Printing 817,557

Carryforwards 11,257,868

Capital Projects 3,561,592

Total Assigned 22,897,219

Total Unassigned 7,539,505

Total Ending Fund Balance \$ 275,775,758

District School Board of Pinellas County

Notes to Financial Statements

NOTE 11 - SCHEDULE OF STATE REVENUE SOURCES

The District's State revenue for the year ended June 30, 2013 follows:

Florida Education Finance Program	\$ 168,918,585
Categorical Educational Program - Class Size Reduction	114,099,979
Workforce development program	25,514,460
Florida school recognition program	4,979,132
Motor vehicle license tax (Capital outlay and Debt Service)	4,565,111
Mobile home license tax	541,101
Adults with disabilities	281,303
Food service supplement	507,246
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	978,342
Voluntary Pre-K	1,447,876
Miscellaneous	1,845,213
	\$ 323,901,598

NOTE 12 – PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2012-2013 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.554	\$ 327,081,132
Basic Discretionary Local Effort	0.748	44,050,538
Voted School Tax:		
Local Referendum	0.500	29,445,547
Total General Fund:	6.802	400,577,217
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	1.500	88,336,640
Total General And Capital Funds:	8.302	\$ 488,913,857

District School Board of Pinellas County

Notes to Financial Statements

NOTE 13 – STATE RETIREMENT PROGRAM

Plan Description

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

Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at specified numbers of years of service depending on the employee's classification. Generally, members are eligible for normal retirement benefits at age 62 with six years of service or at any age after 30 years of service, which may include up to four years of credit for military service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

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

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

District School Board of Pinellas County

Notes to Financial Statements

NOTE 13 – STATE RETIREMENT PROGRAM (CONTINUED)

Funding Policy

The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2012-2013 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System:		
Regular	3.00	5.18
County Elected Officers	3.00	10.23
Senior Management Service Class	3.00	6.30
Special Risk	3.00	14.90
Re-employed Retiree	3.00	5.18
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	-	5.44

(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, 2011, 2012, and 2013 totaled \$54,070,643, \$40,131,586, and \$41,940,208, respectively, which were equal to the required contributions for each fiscal year.

NOTE 14 – TAX DEFERRAL PLANS AND OTHER BENEFITS

The District allows employees to participate in 401(a) and 403(b) qualified retirement plans. 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 401(a) plan were \$10,507,246 and employee contributions to the 403(b) were \$699,886 for the period ended June 30, 2013.

District School Board of Pinellas County

Notes to Financial Statements

NOTE 14 – 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, 2013 were \$10,182,455 and \$2,118,539, respectively. In addition, the District has available a Roth 403(b) that employees may elect. Contributions to the Roth 403(b) totaled \$1,387,753 for 2013.

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, 2013 was \$93,781,718.

NOTE 15 - CONSTRUCTION CONTRACT COMMITMENTS

The District had no major construction contract commitments at fiscal year-end 2012-2013. Student enrollment has been declining over the past several years and the State has not allocated any money for "new construction." The capital outlay dollars that were spent were on minor capital outlay projects, maintenance projects and infrastructure projects. Some examples would include roof replacements, chiller installations, replacement of ceilings, lights, and various other undertakings.

NOTE 16 – RISK MANAGEMENT PROGRAMS

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

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

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

At June 30, 2013, a liability of \$14,055,574 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 16 – 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
2012	\$ 16,747,136	\$ 3,491,720	\$ (3,582,887)	\$ 16,655,969
2013	16,655,969	1,383,096	(3,983,491)	14,055,574

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

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

NOTE 17 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

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

District School Board of Pinellas County

Notes to Financial Statements

NOTE 17 – 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 advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2012-2013 fiscal year, the District provided required contributions of \$2,275,442 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions totaling \$5,729,788. 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>		2013
(1)	Normal Cost	\$ 3,202,832
(2)	Amortization of Unfunded Accrued Liability	1,965,041
(3)	Interest	206,715
(4)	Annual Required Contribution	5,374,588
(5)	Interest on Net OPEB Obligation (NOO)	333,349
(6)	Amortization of NOO	(297,638)
(7)	Total Expense or Annual OPEB Cost (AOC)	5,410,299
(8)	Actual Contribution Toward OPEB Cost	(2,275,442)
(9)	Increase in NOO	3,134,857
(10)	NOO Beginning of Year	8,333,732
(11)	NOO End of Year	\$ 11,468,589

District School Board of Pinellas County

Notes to Financial Statements

NOTE 17 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (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, 2013 and the two preceding years, are as follows:

Fiscal Year	AOC	Contribution	Percent of AOC Contributed	NOO
2010/2011	\$ 3,521,317	\$ 3,024,442	85.9%	\$ 8,293,017
2011/2012	3,528,870	3,488,155	98.8%	8,333,732
2012/2013	5,410,299	2,275,442	42.1%	11,468,589

Funded Status and Funding Progress

As of June 30, 2013, the actuarial accrued liability for benefits was \$49,237,265, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$49,237,265. The covered payroll (annual payroll for active participating employees) was \$557,282,119 for the fiscal year 2012-2013, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.0%.

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 17 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The District's OPEB actuarial valuation as of August 7, 2013, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and the 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, general inflation of 2.5 percent, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 7.0 percent post-Medicare initially for the 2012-13 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, 2013 was 24 years.

NOTE 18 – LITIGATION

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

NOTE 19 – GRANTS AND CONTRACTS

The District participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement of these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from a Federal audit may become a liability of the District. The District does not believe that any significant liabilities would result from any review of its expenditures of Federal programs.

REQUIRED SUPPLEMENTARY INFORMATION

District School Board of Pinellas County

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund

<i>Year ended June 30,</i>	2013			
	<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 direct	\$ 320,000	\$ 348,450	\$ 348,450	\$ -
Federal through state	2,766,870	2,988,941	2,988,941	-
State sources	322,209,154	317,461,616	317,461,616	-
Local sources	400,324,649	407,101,658	407,264,603	162,945
Total revenues	725,620,673	727,900,665	728,063,610	162,945
Expenditures				
Instruction	501,996,962	515,533,207	512,073,818	3,459,389
Pupil personnel services	29,459,169	30,364,547	30,184,235	180,312
Instructional media services	8,896,161	9,582,695	9,485,373	97,322
Instructional and curriculum development	8,709,796	9,619,807	9,576,434	43,373
Instructional staff training	4,311,916	4,550,099	4,517,990	32,109
Instruction related technology	2,209,320	2,425,734	2,365,407	60,327
Board of education	2,860,516	1,313,738	1,281,631	32,107
General administration	2,548,443	2,440,447	2,375,088	65,359
School administration	48,657,816	50,925,518	50,368,692	556,826
Facilities acquisition and construction	1,740,035	538,641	493,751	44,890
Fiscal services	3,864,545	3,981,960	3,903,148	78,812
Food services	60,400	149,734	149,733	1
Central services	11,345,610	12,125,932	11,593,537	532,395
Pupil transportation services	30,689,041	31,925,159	31,900,128	25,031
Operation of plant	73,289,232	76,922,205	76,669,440	252,765
Maintenance of plant	20,306,937	22,371,039	21,150,335	1,220,704
Administrative technology services	6,310,152	5,304,196	4,726,118	578,078
Community services	424,959	661,647	661,246	401
Fixed capital outlay:				
Facilities acquisition and construction	184,821	184,821	184,821	-
Other capital outlay	2,131,169	2,131,169	2,131,169	-
Debt Service:				
Interest and fiscal charges	3,000	-	-	-
Total expenditures	760,000,000	783,052,295	775,792,094	7,260,201
Excess (deficiency) of revenues over expenditures	(34,379,327)	(55,151,630)	(47,728,484)	7,423,146
Other financing sources (uses)				
Loss recoveries	300,000	315,928	315,928	-
Transfers in	25,500,000	44,090,000	44,090,000	-
Total other financing sources and (uses)	25,800,000	44,405,928	44,405,928	-
Net change in fund balances	(8,579,327)	(10,745,702)	(3,322,556)	7,423,146
Fund balances - beginning	60,527,492	60,527,492	60,527,492	-
Fund balances - ending	\$ 51,948,165	\$ 49,781,790	\$ 57,204,936	\$ 7,423,146

District School Board of Pinellas County

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual ARRA Economic Stimulus Fund

Year ended June 30,	2013			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal through state	\$ 9,654,129	\$ 12,299,068	\$ 4,858,884	\$ (7,440,184)
Total revenues	9,654,129	12,299,068	4,858,884	(7,440,184)
Expenditures				
Current:				
Instruction	1,970,503	4,471,336	2,304,957	2,166,379
Pupil personnel services	78,983	230,513	135,513	95,000
Instructional media services	1,016	1,500	1,098	402
Instructional and curriculum development	3,176,665	2,987,680	662,550	2,325,130
Instructional staff training	1,871,195	1,883,801	506,678	1,377,123
Instructional related technology	536,936	680,960	131,406	549,554
General administration	779,966	813,823	273,509	540,314
School administration	194,269	338,828	201,279	137,549
Facilities acquisition and construction	-	3,084	-	3,084
Fiscal services	23,482	25,372	22,554	2,818
Food services	37,597	37,597	-	37,597
Central services	321,789	322,457	239,097	83,360
Pupil transportation services	29,290	-	-	-
Operation of plant	1,411	114	113	1
Administrative technology services	170,139	41,115	38,816	2,299
Community services	144,762	144,762	341,314	(196,552)
Fixed capital outlay:				
Other capital outlay	316,126	316,126	-	316,126
Total expenditures	9,654,129	12,299,068	4,858,884	7,440,184
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 Programs Fund

Year ended June 30,

2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal direct	\$ 8,655,317	\$ 11,245,215	\$ 4,589,516	\$ (6,655,699)
Federal through state	63,514,846	100,175,816	66,090,362	(34,085,454)
State sources	-	-	214,632	214,632
Total revenues	72,170,163	111,421,031	70,894,510	(40,526,521)
Expenditures				
Current:				
Instruction	39,839,255	60,061,613	36,213,830	23,847,783
Pupil personnel services	9,490,083	10,696,281	9,418,038	1,278,243
Instructional media services	19,587	292,019	276,811	15,208
Instructional and curriculum development	6,866,340	10,208,674	7,269,178	2,939,496
Instructional staff training	6,427,055	16,065,700	8,929,887	7,135,813
Instruction related technology	62,692	290,283	269,544	20,739
Board of education	-	3,315	1,400	1,915
General administration	1,402,495	3,050,867	2,858,668	192,199
School administration	125,209	480,475	422,988	57,487
Facilities acquisition and construction	18,772	533,772	10,500	523,272
Fiscal services	51,273	55,973	52,619	3,354
Food services	13,891	13,882	11,845	2,037
Central services	848,337	1,015,948	359,569	656,379
Pupil transportation services	45,163	924,967	53,143	871,824
Operation of plant	101,777	161,312	131,740	29,572
Administrative technology services	790,581	825,850	284,957	540,893
Community services	5,146,933	5,819,380	3,409,156	2,410,224
Fixed capital outlay:				
Facilities acquisition and construction	449,914	449,914	449,914	-
Other capital outlay	470,806	470,806	470,723	83
Total expenditures	72,170,163	111,421,031	70,894,510	40,526,521
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
6/30/11	\$ -	\$ 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%
6/30/13	-	49,237,265	49,237,265	0.00%	557,282,119	8.8%

SUPPLEMENTARY INFORMATION

District School Board of Pinellas County

Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2013

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	\$ 6,281,599	\$ -
National School Lunch Program	10.555	300,350	21,857,092	-
Summer Food Service Program for Children	10.559	323	559,648	-
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program (Note 2)	10.555	None	2,149,627	-
Total Child Nutrition Cluster			30,847,966	-
Total United States Department of Agriculture			30,847,966	-
 United States Department of Energy:				
Indirect:				
WorkNet Pinellas, Inc.:				
Weatherization Assistance for Low-Income Persons	81.042	None	40,023	-
Total United States Department of Energy			40,023	-
 United States Department of Education:				
Direct:				
Impact Aid	84.041	N/A	32,800	-
Federal Pell Grant Program	84.063	N/A	3,121,858	-
Fund for the Improvement of Education	84.215	N/A	333,679	-
Foreign Language Assistance	84.293	N/A	30,824	-
Teacher Incentive Fund	84.374	N/A	653,242	-
Total Direct			4,172,403	-

(Continued)

See accompanying Notes to the Schedule of Expenditures of Federal Awards

District School Board of Pinellas County

**Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2013**

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	29,545,451	724,679
Special Education - Preschool Grants	84.173	266, 267	772,836	-
North East Florida Education Consortium				
State Personnel Development	84.027	0750-13-001- 71613	31,434	-
Total Special Education Cluster			30,349,721	724,679
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	22,039,646	91,168
Total Title I, Part A Cluster			22,039,646	91,168
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	102,581	-
Total Education for Homeless Children and Youth Cluster			102,581	-
Educational Technology State Grants Cluster:				
Florida Department of Education:				
ARRA - Education Technology State Grants, Recovery Act	84.386	121, 122	93,114	-
Total Educational Technology State Grants Cluster			93,114	-

(Continued)

District School Board of Pinellas County

**Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2013**

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	3,675,083	-
ARRA - School Improvement Grants, Recovery Act	84.388	126	2,553,851	-
Total School Improvement Grants Cluster			6,228,934	-
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	1,572,892	-
Career and Technical Education - Basic Grants to States	84.048	161	1,360,586	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	(3,127)	-
Charter Schools	84.282	298	1,560,194	1,560,194
English Language Acquisition Grants	84.365	102	752,285	-
Title IV - B Twenty-First Century Community Learning Centers	84.287	244	230	-
Improving Teacher Quality State Grants	84.367	224	3,838,622	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL, RD, RG, RS111-811	2,171,897	-
Total Indirect			70,067,575	2,376,041
Total United States Department of Education			74,239,978	2,376,041
United States Department of Health and Human Services:				
Direct:				
Health Resources and Services Administration - ACA Grants for School Based Health Centers	93.501	N/A	449,914	-

(Continued)

District School Board of Pinellas County

**Schedule of Expenditures of Federal Awards (Continued)
For The Year Ended June 30, 2013**

Federal Grantor / Pass-Through Grant / Program Title	CFDA Number	Pass- Through Grantor Number	Expenditures	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Indirect:				
Pinellas County Health Department:				
Centers for Disease Control and Prevention -				
Affordable Care Act (ACA) - Communities Putting Prevention to Work	93.520	PSA32, 40, 54	453,231	-
Florida Department of Education:				
Refugee and Entrant Assistance - Discretionary Grants	93.576	LK135	30,157	-
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State	93.566	LK112, 138, 164	445,262	-
Total United States Department of Health and Human Services			928,650	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	221,244	-
Navy Junior Reserve Officers Training Corps	None	N/A	29,398	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	65,008	-
Total United States Department of Defense			315,650	-
Total Expenditures of Federal Awards			\$ 106,822,181	\$ 2,376,041

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, 2013

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards represents amounts expended from Federal programs during the fiscal year as determined on the 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

**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**

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

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2014. Our report includes a reference to other auditors who audited the financial statements of several charter schools included as discretely presented component units as described in our report on the District'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 on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2013-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of schedule of findings and questioned costs to be a significant deficiency: 2013-002.

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*.

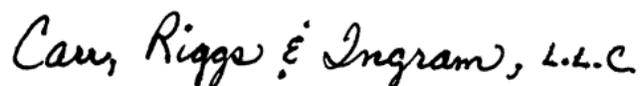
We did identify additional matters that we have communicated to management in the accompanying management letter as items 2013-004 – 2013-006.

District School Board of Pinellas County's Response to Findings

The District's response and corrective action plan to the findings identified in our audit are listed at pages 73 and 74. We did not audit the District's responses and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CARR, RIGGS, & INGRAM, LLC
Clearwater, Florida

March 6, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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, 2013.

Other Matters

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. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is listed at pages 72 and 73. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 first 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 significant deficiencies or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 2013-003 to be a significant deficiency.

We also identified one additional matter of noncompliance described in the accompanying schedule of findings and questioned costs as item 2012-003.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CARR, RIGGS & INGRAM, LLC
Clearwater, Florida

March 6, 2014

District School Board of Pinellas County

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2013

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, 2013:

- The auditor's report expresses an unqualified opinion on the basic financial statements of the District School Board of Pinellas County (the District).
- One material weakness and one significant deficiency 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 significant deficiency relating to the audit of the major federal award programs is 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	84.377, 84.388	\$ 6,228,934
Federal Pell Grant Program	84.063	3,121,858
Special Education Cluster	84.027, 84.173	30,349,721
Child Nutrition Cluster	10.553, 10.555 10.559	30,847,966
State Fiscal Stabilization - Race-to the-Top Incentive Grants	84.395	2,171,897

- 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, 2013

Findings – Financial Statement Audit

Material Weakness

2013-001: Investments

Criteria

The District should have policies and procedures in place that are followed and documented to ensure proper review and approval of all investment transactions. Investment accounts should be thoroughly reconciled and all discrepancies should be researched and cleared on a timely basis. Investments and related cash and cash equivalents should be reported in accordance with generally accepted accounting principles.

Condition

We noted the following regarding the District's investment policies and procedures and financial reporting surrounding investments:

1. The fair value adjustment account has an approximately \$129,000 unreconciled difference that has been carrying forward from December 2012.
2. Due to investment allocation procedures at June 30, 2013 a nonmajor fund had an approximate \$606,000 negative investment balance that was reclassified to due from other funds. This reclassification caused the total investment portfolio to not agree to actual investments held by the District. An entry was posted to reclassify this investment balance.
3. District investment policy states that management should receive two copies of all transaction confirmations with one copy being sent to the Manager of Cash and Investments and should be sent directly to the Associate Superintendent. Both should be maintained by each office for documentation. Of our 25 selected transactions 11 did not meet full District policy.
4. Management has determined that 45 days is an acceptable amount of time to reconcile and review investment accounts. We selected 4 months to review monthly reconciliations and in 3 of the 4 cases reconciliations were completed after the 45 day period.
5. The District has 7 main investment accounts as of June 30, 2013. CRI reviewed the authorized users for 5 of these accounts and for all 5 accounts either the authorized users are no longer employed by the District or no documentation of authorized users could be located.

Cause

The District was not fully complying with their own investment policy and implementing corrective actions for investment findings from prior periods.

District School Board of Pinellas County

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2013

Effect

Investments could be misstated, misappropriated or changes to investment holdings would not be made in a timely manner.

Recommendation

The District should ensure their policies and procedures match the investment policy. In addition, they should ensure that corrective actions they have detailed in response to prior findings are fully implemented. These findings continue to be relevant from prior years and were reported last year under Investment Controls 1 and Finding No. 1 in the Auditor General's report No. 2012-150 for the fiscal year ending June 30, 2011.

Response and Corrective Action Plan

See attached Corrective Action Plan.

Significant Deficiency

2013-002: 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 were adjustments posted to properly state cash as of the end of year due to errors in the cash reconciliation process. The primary impact of these adjustments was a reclassification between cash and accounts receivable which did not affect the Statement of Activities or the Statement of Revenues, Expenditures and Changes in Fund Balances.
2. Various entries had to be posted to accounts receivable and deferred revenue to appropriately state balances as of June 30, 2013, these entries were a repeat from the prior year. The misclassification of receivable and deferred revenue did not affect the Statement of Activities or the Statement of Revenues, Expenditures and Changes in Fund Balances.
3. Due to a typographical error in the Annual Financial Report there was a reclassification posted from taxes receivable to accounts receivable in the amount of approximately \$24,000,000. The misclassification of receivable did not affect the Statement of Activities or the Statement of Revenues, Expenditures and Changes in Fund Balances.

District School Board of Pinellas County

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2013

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.

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 finding was reported as a significant deficiency in the prior year as IC2010-1 and as Finding No. 2 in the Auditor General's report No. 2012-150 for the fiscal year ending June 30, 2011.

Response and Corrective Action Plan

See attached Corrective Action Plan.

Findings and Questioned Costs for Major Federal Award Programs

Finding 2013-003: Indirect Cost Expenditures

Federal Agency: U.S. Dept. of Education and U.S. Dept. of Health and Human Services

State Agency: Florida Department of Education
Programs: Adult Education – Basic Grants to States (CFDA No. 84.002); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education – Grants to States (CFDA No. 84.027); Career and Technical Education – Basic Grants to States (CFDA No. 84.048); Special Education - Preschool Grants (CFDA No. 84.173); Education for Homeless Children and Youth (CFDA No. 84.196); Fund for the Improvement of Education (CFDA No. 84.215); Charter Schools (CFDA No. 84.282); Improving Teacher Quality State Grants (CFDA No. 84.367); Refugee and Entrant Assistance - State Administered Programs (CFDA No. 93.566); Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work (CFDA No. 93.520)

Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: \$739,286

District School Board of Pinellas County

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2013

Criteria

2 CFR Part 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A - 87) Appendix E to Part 225 - State and Local Indirect Cost Proposals. A -General " A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost." Therefore, direct costs cannot be utilized twice as performed in error to capture indirect costs.

Finding

The District applied an indirect cost rate against federal expenses as of June 30, 2013 which included previously calculated federal expenses resulting into a duplication of the first request for reimbursement of indirect costs.

Condition

The District miscalculated the indirect cost eligible for reimbursement.

Cause

The District has insufficient internal controls monitoring the calculation of indirect costs, recording of indirect costs, and subsequently requesting for reimbursement of indirect costs.

Effect

Indirect costs reimbursed to the District exceed the 4.37% rate approved by the State of Florida Department of Education for the 2012-2013 school year. See below for a list of Federal programs that were impacted and the excess request for indirect cost reimbursement.

CFDA	Project Name	Total
84.173	Special Education - Preschool Grants	\$13,955
84.002	Basic Grants to States	\$16,960
84.027	Special Education – Grants to States	\$478,487
84.048	Career and Technical Education – Basic Grants to States	\$17,093
84.196	Education for Homeless Children and Youth	\$943
84.215	Fund for the Improvement of Education	\$4,167
84.367	Improving Teacher Quality State Grants	\$53,281
93.566	Refugee and Entrant Assistance - State Administered Programs	\$5,383
84..282	Charter Schools	\$3,091
84.010	Title I Grants to Local Educational Agencies	\$143,860
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	\$2,066
Questioned costs total		\$739,286

District School Board of Pinellas County

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2013

Recommendation

The District should enhance its internal controls by segregating the functions overseeing indirect cost. In order to adequately segregate duties, multiple staff should be involved in handling indirect costs transactions where no single employee prepares the calculation, records the transaction, and requests for reimbursement. These functions should be spread out among a minimum of two personnel with one providing a supervisory and review role.

The District has already consulted with the Florida Department of Education to reverse out the error in the subsequent period (August 2013).

Response and Corrective Action Plan

See attached Corrective Action Plan.

Contact and Telephone Number

Cathy Davidson, Director of Accounting, 727-588-6178

Finding 2012-003: 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:	2012-2013
Finding Type:	Noncompliance
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.

District School Board of Pinellas County

Schedule of Findings and Questioned Costs For The Year Ended June 30, 2013

NOTE: This finding was first made during the 2011/2012 audit year. Due to the timing of our audit procedures, the District did not implement a corrective action plan until April 2013. Accordingly, the occurrences of noncompliance continued into the 2012/2013 fiscal period. The conditions described below leading to noncompliance in the current year all occurred prior to April 2013. We have noted the corrective action plan was implemented in April 2013 and no instances of noncompliance have been identified since April 2013.

Condition

For 2 of the 15 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 34CFR 668.22(j). Overpayments for the 7 students totaled \$4,322. The District sent out student letter notifications 53 to 105 days after the date of determination. These letters should be sent out within 30 days after the date of determination. In addition, the District took 47 to 77 days after the date of determination to restore Title IV funds. These funds must be repaid to DOE within 45 days after the date of determination.

Cause

The District did not have adequate policies and procedures in place until April 2013 to monitor and comply with required Title IV fund provisions.

Effect

The District was not in compliance with Title IV fund provisions

Recommendation

Since the District's corrective procedures were implemented in the fourth fiscal quarter of the June 30, 2013 school year, continued monitoring of its revised policies, procedures, and internal controls is recommended.

Response and Corrective Action Plan

See attached Corrective Action Plan.

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, 2013

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:			
1C	Investment Transaction Monitoring	Significant	X(b)	
1D	Investment Program Performance Reporting and Monitoring	Significant	X(b)	
1E	Cash Flow Projections	Significant	X(b)	
2	Financial Reporting	Significant	X(c)	
10	Capital Assets (2012-2 in our prior year report)	AM		X
12	Facilities Management	AM		X
17	Workforce Education Postsecondary Student Fees	AM	X	
22	Information Technology – Risk Assessment	AM	X(d)	

Legend:

- (a) Material = Material weakness; Significant = Significant deficiency; AM = Additional matter
- (b) Also see material weakness reported on the Schedule of Findings and Questioned Costs (2013-001)
- (c) Also see significant deficiency reported on the Schedule of Findings and Questioned Costs (2013-002)
- (d) Also see additional matter reported in the Management Letter (2013-004)

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	Description	Status
2012-004	Pell Grant	Pell Grant Funds	Resolved

District School Board of Pinellas County

Corrective Action Plan For the Year Ended June 30, 2013

2013-001: Investments

- 1) The discrepancy in question resulted from a duplication of correcting entries. Cash Management staff will place greater emphasis on adhering to established procedures for identifying and correcting reconciling items.
- 2) To prevent individual funds from generating negative cash and/or investment balances during the month, the Manager of Cash and Investments (MCI) will automatically enter a due to/from for each fund that does not have sufficient cash or investment balances to cover expenditures. At the end of each month, the MCI will repay the accumulated due tos/froms for each fund subject to any revenue received during the month.
- 3) The Cash & Investments Specialist (CIS) and the Secretary to the Chief Financial Officer receive investment confirmations; they will then compare which confirmations have been received and by whom. They will obtain appropriate copies of any missing confirmations. The CIS will also compare confirmations received with transaction activity and notify the MCI of any confirmations not received.
- 4) The investment reconciliation process has been under review for several years. As a result, the procedures have been enhanced and finalized within the past 12 months. The Banking Specialist will place greater emphasis on adhering to the new reconciliation procedures. For the current fiscal year, the July through November reconciliations have been completed. Of those five months, four of them were completed within the 45 day requirement.
- 5) Staff is currently reviewing all seven accounts for missing/incomplete documentation. Documentation will then be submitted to each firm with the correct authorized users for each account by the end of February, 2014. Every year after the November Board organizational meeting, the CIS will review the investment account documentation, in addition to the bank account documentation, to see if any of the accounts need to be updated.

2013-002: Financial Reporting

- 1) A review of Cash Receipts, ACH deposits and incoming wire transfers will be reviewed monthly and also at year end. If it is determined that the items belong in the current month, then they will be recognized that month. An entry will be recorded in the Finance System in the appropriate period. The reconciling of items on the bank reconciliations will be reviewed and monitored at a more detailed level.
- 2) Some cash draws to the various American Reinvestment and Recovery Act (ARRA) funds were incorrectly booked to the Other Federal Programs fund. A thorough reconciliation of the ARRA accounts receivable has been performed and the drawdowns have been reassigned to their correct funds.

District School Board of Pinellas County

Corrective Action Plan For the Year Ended June 30, 2013

In the future, a closer monitoring of accounts receivable balances will be performed. The sun setting of most ARRA funding will significantly reduce the number of active fund accounts and should help reduce the possibility of miscoding.

- 3) An analytical document will be created which will compare last year's Annual Financial Report numbers to the current year to make sure that each item is on the correct line and classified correctly. This will help avoid typographical errors in the future.

Finding 2013-003: Indirect Cost Expenditures

An error in the formula on the final indirect cost calculation resulted in double claiming some indirect cost expenses. The error was discovered by FLDOE on September 3, 2013. Revised final reports were submitted to FLDOE on September 17, 2013. The correcting entries were recorded in TERMS on October 1, 2013, however, the reported IC total for fiscal year 2013 as listed in the annual financial statements, ended up being overstated as a result.

In the future, the General Manager of Food Service and General Accounting will perform a verification of indirect cost calculations to certify their accuracy.

Finding 2012-003: Timely Return of Unearned Title IV Funds and Notification to Student

As stated in the note from Carr, Riggs and Ingram and confirmed by the Financial Aid Director, the plan has been implemented and there have been no instances of noncompliance since the finding was identified and shared with the Financial Aid Office. To ensure continued compliance, the district's Internal Audit Department will incorporate a review of this section for noncompliance in their audits of the pTEC campuses.

Additional Matter – Workforce Education Postsecondary Student Fees

The recommendation is duly noted. The District's General Counsel continues to support his opinion.

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, 2013, and have issued our report thereon dated March 6, 2014.

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 for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 6, 2014, 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 corrective actions 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 in the Schedule of Findings and Questioned Costs and the related Corrective Action plan.
- 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).
- 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 have the following recommendation:

2013-004: Information Technology

Criteria

The District should have sound policies and procedures in place surrounding information technology (IT) that addresses: general security, access controls, program patch/change management, systems software, physical security, operations procedures, and disaster recovery.

Condition

We noted the following regarding the District's information technology controls:

1. A formalized IT risk assessment has not been completed (this is a repeat comment from our 2012 report and the Auditor General's 2011 report as Finding #22 per AG Report No. 2012-150).
2. A formal, clear IT security policy has not been developed.
3. There is no defined or formal incident management process documented and supported in policy.
4. The District does not have a clear tracking mechanism in place to evaluate user additions, modifications, deletions and the timeliness of these changes.
5. The District has not conducted independent external vulnerability and penetration testing. In addition, no automated intrusion detection or prevention tools are in place on the network which increases risk to the system.
6. A well-defined system development life cycle is not in place.

Cause

The District has not been fully documenting and testing information technology controls and policies in accordance with industry best practices.

Effect

A lack of IT policies or controls could lead the District's system to be vulnerable to various types of issues or attacks.

Recommendation

The District should ensure their policies and procedures match IT best practices and continue to develop strong prevention and detection and correction controls. Some of these findings continue to be relevant from prior years and were reported as other matters last year as Finding #22 and Findings 19-23 under the Auditor General's report No. 2012-150 for the fiscal year ending June 30, 2011.

District's Response and Corrective Action Plan

1. The Technology Information Systems (TIS) Department is pursuing a quote with Dell Secure Works, other companies, and other school districts for a company to perform the Information Technology (IT) Risk Assessment. The TIS Department will then contract with a company to conduct the IT Risk Assessment before May 31, 2014.
 2. The TIS Department is working with Carr, Riggs & Ingram Accounting firm to identify a clear set of action plans to address the audit item. It will be addressed by May 31, 2014. The TIS Department will also use our Security Assessment Policy, Application Security Policy and our Security Infrastructure templates in preparing to address this item.
 3. The TIS Department is working with Carr, Riggs & Ingram Accounting firm to identify a clear set of action plans to address the audit item. It will be addressed by May 31, 2014. The TIS Department will also use our Incident Response Policy template in preparing to address this item.
 4. The TIS Department is working with Carr, Riggs & Ingram Accounting firm to identify a clear set of action plans to address the audit item. It will be addressed by May 31, 2014. The TIS Department will also use our Account Management Policy, Data Protection Policy, and the Systems Monitoring and Auditing templates in preparing to address this item.
 5. The TIS Department will contact a company to conduct the vulnerability and penetration test. The test will be performed before May 31, 2014.
 6. The TIS Department is working with Carr, Riggs & Ingram Accounting firm to identify a clear set of action plans to address the audit item. It will be addressed by May 31, 2014. The TIS Department will formalize our SDLC process.
- Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address fraud, noncompliance with provisions of laws or regulations and 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 warrant the attention of those charged with governance. In connection with our audit, we identified the following other matters:

2013-005: Indirect Cost Capturing Procedures

Criteria

The District is responsible for capturing and recording indirect cost in accordance to the State approved rate and program budgets.

Condition

As part of our audit procedures, our review of Indirect costs calculations for Federal Programs revealed several instances where indirect costs were not captured fully against Federal Projects as originally budgeted. These funds were not drawn down by the District which resulted into fewer revenues than could have been obtained from Federal funding sources. In addition, during 2012-2103, the school requested indirect cost reimbursement only twice during the school year.

Cause

The District did not reconcile the indirect cost applied for each federal program to the maximum available to capture for each federal program.

Effect

The District failed to capture all available indirect cost federal funding prior to the programs close out period.

Recommendation

The District should improve procedures and oversight over indirect cost calculations. In addition, indirect costs should be applied to federal programs in a timelier manner. At a minimum, the District should request reimbursement at least quarterly if not monthly. This would provide the District with additional cash from month to month rather than waiting for reimbursement every six months or so as done in 2012-2103. In addition, should federal programs close-out during the year rather than at the end of the year such as American Recovery and Reinvestment Act (ARRA) funds, the District would have a better opportunity to capture all available expenses prior to the program closing out.

District's Response and Corrective Action Plan

Six carry-over projects did not have indirect costs claimed. The quantified total of uncaptured indirect costs for FY13 is: \$44,838.80. A procedure will be put in place to make sure that indirect cost is calculated on a more frequent basis and checked to see that all eligible projects have been included.

2013-006: St. Petersburg pTEC Reconciliations (FAME to DOE report) for Pell Grants**Criteria**

The District is responsible for reconciling third party provider payments (FAME) to Department of Education (DOE) draws for Pell grants.

Condition

During Pell grant testing, the District was unable to provide the FAME to DOE reconciliation report for the St. Petersburg pTEC campus. The Clearwater pTEC campus properly prepares these reconciliations each month which allows the District to follow student draws and payments per FAME and reconcile with amounts requested with DOE. The reconciliations for the St. Petersburg campus were not prepared at all throughout the year.

Cause

The District had inadequate staffing and supervision at the St. Petersburg pTEC campus monitoring the activities.

Effect

The District lacks sufficient supporting documentation to verify that transactions with FAME are in sync with DOE transactions as drawn down by the District.

Recommendation

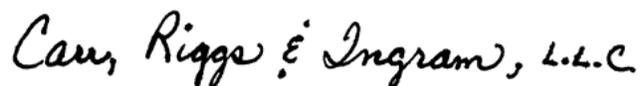
The District should improve procedures and oversight at the St. Petersburg pTEC campus to process and reconcile FAME and DOE transactions in a similar manner to the Clearwater pTEC campus.

District's Response and Corrective Action

All of the staff involved in the resolution of this issue met on Tuesday, January 28, 2014. In that meeting it was decided to review current processes first at the Clearwater campus since they seem to be doing the reconciliations correctly. The District is hiring a consultant to assist with getting the reconciliations up to date at the pTEC St. Pete Campus. Another meeting was held on February 4, 2014. The directors of both campuses were in attendance and assured District staff that teachers who were not withdrawing students on a timely basis would be reprimanded and the action would be reflected in their evaluation.

- Pursuant to Sections 10.804(l)(f)6.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)7., Rules of the Auditor General, requires the auditor to state whether or not the district school board complied with transparency requirements (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District complied with transparency requirements.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management 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 6, 2014