

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

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YEAR ENDED JUNE 30, 2003

# DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

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## **Report of Independent Certified Public Accountants**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the charter schools and foundation listed in Note 1 to the financial statements, and the school internal accounts, which constitute 100 percent of the transactions and account balances of the discretely presented component units and agency funds in the accompanying financial statements. The financial statements of the foundation and the charter schools, with the exception of The Athenian Academy, Inc., were audited by other auditors whose reports have been provided to us, and our opinions, insofar as it relates to the amounts included for the charter schools and foundation, are based solely on the reports of the other auditors.

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

Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, the Board is required to otherwise provide for audits of the school activity funds, commonly called the school internal funds. Accordingly, our audit did not extend to the school internal funds reported as an agency fund on the accompanying basic financial statements. These financial activities represent 8.7 percent and 14 percent of the assets and liabilities, respectively, of the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments on the aggregate remaining fund information, if any, as might have been determined to be necessary had we extended our audit to the school internal funds, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

The Management's Discussion and Analysis and the Schedule of Revenues and Expenditures - Budget and Actual - General Fund are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

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

St. Petersburg, Florida  
March 18, 2004

## ***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 found on page 12.

### ***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 assets, and statement of activities.	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and statement of revenues, expenses and changes in net assets, and statement of cash flows.	Statement of fiduciary net assets, and statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting.	Modified accrual accounting.	Accrual accounting.	Accrual accounting.
	Economic resources focus.	Current financial resources focus.	Economic resources focus.	Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

### ***District-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law, while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types.

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

#### **Governmental Funds**

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



### **Proprietary Fund**

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

### **Fiduciary Funds**

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

### ***District-Wide Financial Analysis***

**Net Assets** – Below is a summary of the District's net assets for the year ended June 30, 2003, as compared to June 30, 2002.

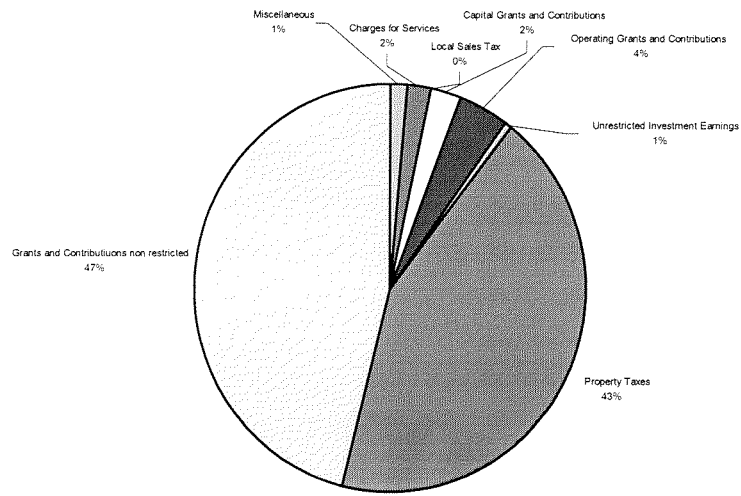
	2002	2003	Increase (Decrease)	Percentage Change
Current Assets	\$ 367,026,277	\$ 316,474,205	\$ (50,552,072)	
Net Capital Assets	1,233,179,488	1,325,519,687	92,340,199	
<b>Total Assets</b>	<b>\$ 1,600,205,765</b>	<b>\$ 1,641,993,892</b>	<b>\$ 41,788,127</b>	2.61%
Current Liabilities	46,763,290	38,370,316	(8,392,974)	
Noncurrent Liabilities	165,142,133	172,641,398	7,499,265	
<b>Total Liabilities</b>	<b>\$ 211,905,423</b>	<b>\$ 211,011,714</b>	<b>\$ (893,709)</b>	(0.42%)
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,187,613,777	\$ 1,278,494,186	\$ 90,880,409	
Restricted	211,434,340	169,665,862	(41,768,478)	
Unrestricted	(10,458,010)	(17,177,871)	(6,719,861)	
<b>Total Net Assets</b>	<b>\$ 1,388,590,107</b>	<b>\$ 1,430,982,177</b>	<b>\$ 42,392,070</b>	3.05%

The District's net assets increased 3.05 % to \$1.4 billion. This was attributed to a combination of an increase in total assets and a decrease in total liabilities. The District reported an unrestricted net asset deficit of \$17.2 million, due to the accounting methodology required by GASB-34. This represents an increase in the net asset deficit of 64% from 2002. The calculation of net assets uses an historical cost of school buildings that may not accurately reflect the true value. Pinellas County's schools and support buildings are in excellent condition as a result of sufficient annual funds appropriated for maintenance and repair.

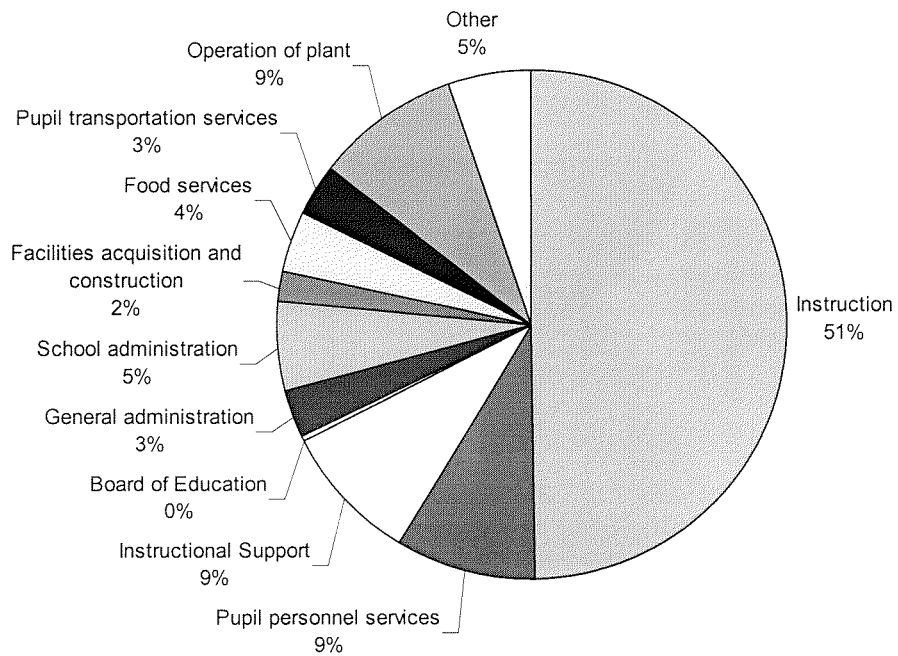
Changes in Net Assets - The table below shows the changes in net assets for 2002 and 2003.

<b>Revenue</b>	<b>2002</b>	<b>2003</b>
Program Revenues:		
Charges for services	\$ 18,078,580	\$ 17,543,306
Operating grants and contributions	34,760,648	35,579,096
Capital grants and contributions	20,789,227	21,268,097
General Revenues:		
Property taxes	347,962,995	371,799,258
Local sales tax	52,234	154,049
Grants and contributions not restricted to specific programs	377,161,580	395,723,158
Unrestricted Investment Earnings	14,860,692	5,879,669
Miscellaneous	15,964,854	11,181,504
	<u>829,630,810</u>	<u>859,128,137</u>
<b>Expenses</b>		
Instruction	429,272,892	452,111,110
Pupil personnel services	35,361,090	36,303,333
Instructional media services	12,925,106	13,035,079
Instruction and curriculum development services	23,707,100	25,119,699
Instructional staff training services	6,202,472	6,029,199
Board of Education	971,959	1,320,230
General administration	8,183,780	9,001,405
School administration	46,254,055	49,609,641
Facilities acquisition and construction	3,341,662	5,765,536
Fiscal services	3,235,838	2,807,962
Food services	32,486,531	34,380,997
Central services	15,755,647	16,731,275
Pupil transportation services	26,424,239	30,089,439
Operation of plant	57,579,353	60,750,298
Maintenance of plant	18,939,306	20,890,011
Community services	2,210,521	2,241,641
Interest on long-term debt	4,038,832	3,126,025
Loss on disposal of capital assets	18,020,357	18,980,226
Unallocated depreciation*	17,920,804	23,786,072
<b>Total Expenses</b>	<u>762,831,543</u>	<u>812,079,178</u>
<b>Increase in Net Assets Before Cumulative Change in Accounting Principle</b>	66,799,267	47,048,959
Change in Accounting Principal	-	(4,367,124)
<b>Increase in Net assets</b>	<u>66,799,267</u>	<u>42,681,835</u>
Net assets, July 1, 2002	1,321,501,075	1,388,300,342
Net assets, June 30, 2003	<u>\$ 1,388,300,342</u>	<u>\$ 1,430,982,177</u>

## Revenue by Source – Governmental Activities Period Ended June 30, 2003



## Expenses by Source



## ***Financial Analysis of Individual Funds***

The District completed the year with a total governmental fund balance of \$251.4 million, a decrease of \$49.1 million over 2002 fund balance of \$300.5 million.

The General Fund had an \$ 8.3 million decrease in fund balance to \$76 million.

The other major funds, all capital outlay, changed as follows:

- Capital Improvement Section 236.25(2) Fund increased \$24.1 million to \$114.9 million. This increase is a result of revenue received in anticipation of future construction needs.
- Capital Projects – Other, whose largest portion was the Classroom's First allocation, decreased from \$67.9 million to \$31.1 million. The reason for the fund balance decrease was the construction of new and rebuilt schools, as well as numerous other renovation projects. The majority of the revenue for this construction has been collected in previous years. Now the planning and architectural phases are being overtaken by the construction.

Other Governmental Funds also experienced a reduction of fund balance from \$57.5 million in 2002 to \$29.3 million in 2003. The Capital Outlay and Debt Service fund's activities attributed to the most significant change with a decrease of \$27.7 million. This was a result of the construction of new and rebuilt schools as explained above.

## ***Budget Variance in the General Fund***

Overall actual revenue exceeded budgeted by a very small amount. This change was due to the combination of additional Medicaid and tax collections offset by a decrease in State revenue. The portion of State revenue was not realized due to the McKay Scholarship Program (exceptional students receiving vouchers to attend private school). Appropriations experienced a significant decrease. The financial model used by the District to predict future needs suggested some realignment resulting in reduced expenditures to "live within our needs". This action was in part perpetuated by the proposed legislative funding, which was under consideration that was deemed insufficient to meet future District needs.

## **Capital Assets and Long-Term Debt**

### **Capital Assets**

By the end of fiscal year 2003, the District had invested over \$1.3 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net increase of \$93 million from 2002. More detailed information concerning capital assets can be found in Note 6 to the financial statements. Accumulated depreciation on these assets totaled almost \$422.6 million.

- Asset acquisitions totaled \$187.5 million.
- The District disposed of \$71.8 million in assets, of which \$6.5 million was the result of the razing of six schools.
- The net change to construction in progress reflected an increase of \$72.2 million.
- The District recognized depreciation expense of \$40.6 million for the year.

### **Capital Assets**

	<b>2002</b>	<b>2003</b>
Land	\$ 77,890,145	\$ 78,270,508
Land improvement - Non depreciable	17,839,242	18,676,304
Construction in Progress	282,166,492	354,354,764
Buildings and Fixed Equipment	1,070,642,804	1,100,575,352
Furniture, Fixtures and Equipment	131,929,950	139,291,871
Motor Vehicles	41,660,659	43,823,945
Audio Visual and Computer Software	10,070,602	9,774,590
Property Under Capital Leases	262,293	3,373,142
<b>Total Capital Assets</b>	<b>1,632,462,187</b>	<b>1,748,140,476</b>
<b>Accumulated Depreciation</b>	<b>(399,282,699)</b>	<b>(422,620,789)</b>
<b>Total Net Capital Assets</b>	<b>\$ 1,233,179,488</b>	<b>\$ 1,325,519,687</b>

### **Long-Term Debt**

At year-end, the District had \$172.6 million in general obligation bonds and other long-term debt outstanding – a reduction of 8.9% from last year. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

#### **Outstanding Long-Term Obligations**

	<b>2002</b>	<b>2003</b>	<b>Percentage Change</b>
General Obligation Debt	\$ 45,455,000	\$ 43,860,000	-3.5%
Other	119,687,133	128,781,398	-10.5%
<b>Total</b>	<b>\$ 165,142,133</b>	<b>\$ 172,641,398</b>	<b>4.5%</b>

### **Significant Economic Factors**

The District passed a new student assignment plan for the 2003-04 school year. This plan, known as the "Choice Plan", is part of a settlement to a 1964 federal court case that resulted in a 1971 order requiring busing to achieve racial balance. The Choice Plan gives parents a much greater selection of schools from which to choose. In order to implement this plan, eight schools are being built, rebuilt or undergoing major renovations. Funding for this construction were budgeted and collections received in past fiscal years. Transportation has enhanced its fleet to accommodate the anticipated increased need for buses and drivers. In order to meet this need for buses, the District entered into a capital lease agreement in the amount of \$3.1 million with Bank of America in 2002-2003 school year.

### ***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, FLORIDA**  
**Statement of Net Assets**  
**June 30, 2003**

	<b>Primary Governmental Activities</b>	<b>Component Units</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,056,393	\$ 986,604
Investments	249,226,356	6,084,708
Accounts receivable, net	1,601,408	40
Taxes receivable	10,346,640	-
Interest receivable	1,312,288	-
Promises to give	-	1,624,231
Charitable remainder trust	-	201,727
Due from other agencies	44,899,538	3,206
Prepaid expenses and other	969,026	13,800,446
Inventories	5,062,556	-
Capital assets:		
Nondepreciable	451,301,576	-
Depreciable	874,218,111	352,519
<b>Total assets</b>	<b>1,641,993,892</b>	<b>23,053,481</b>
<b>Liabilities</b>		
Salaries and benefits payable	5,724,934	7,962
Payroll deductions and withholdings	15,278,069	105,857
Accounts payable	3,529,949	-
Construction contracts payable	12,781,200	-
Due to Florida retirement system	997,826	-
Deferred revenue	58,339	-
Obligations under split interest agreements	-	179,472
Noncurrent liabilities:		
Portion due within one year:		
Liability for compensated absences	9,810,525	-
Estimated insurance claims payable	5,200,000	-
Bonds payable	1,670,000	-
Other liabilities	110,055	-
Obligations under capital leases	320,510	-
Portion due after one year:		
Liability for compensated absences	93,161,986	-
Estimated insurance claims payable	16,967,324	-
Bonds payable	42,190,000	-
Other liabilities	365,987	-
Obligations under capital leases	2,845,011	-
<b>Total liabilities</b>	<b>211,011,715</b>	<b>293,291</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	1,278,494,186	352,519
Restricted for:		
State categorical programs	2,171,763	-
Debt service	1,914,580	-
Capital projects	165,429,986	-
Endowment-nonexpendable	149,533	3,051,000
Other purposes	-	18,823,789
Unrestricted	(17,177,871)	532,882
<b>Total net assets</b>	<b>\$ 1,430,982,177</b>	<b>\$ 22,760,190</b>

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



**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Activities**  
**For the Year Ended June 30, 2003**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units
<b>Primary government:</b>					
Governmental activities:					
Instruction	\$ 452,111,110	\$ 2,212,844	\$ -	\$ -	\$ -
Pupil personnel services	36,303,333	-	-	-	(449,898,266)
Instructional media services	13,035,079	-	-	-	(36,303,333)
Instruction and curriculum development services	25,119,699	-	-	-	(13,035,079)
Instructional staff training services	6,029,199	-	-	-	(25,119,699)
Board of Education	1,320,230	-	-	-	(6,029,199)
General administration	9,001,405	-	-	-	(1,320,230)
School administration	49,609,641	-	-	-	(9,001,405)
Facilities acquisition and construction	5,765,536	-	-	-	(49,609,641)
Fiscal services	2,807,962	-	-	850,800	(4,914,736)
Food services	34,380,997	14,496,617	18,488,078	-	(2,807,962)
Central services	16,731,275	-	-	-	(1,396,302)
Pupil transportation services	30,089,439	833,845	17,091,018	-	(16,731,275)
Operation of plant	60,750,298	-	-	-	(12,164,576)
Maintenance of plant	20,890,011	-	-	16,422,285	(60,750,298)
Community services	2,241,641	-	-	-	(4,467,726)
Interest on long-term debt	3,126,025	-	-	3,995,012	(2,241,641)
Loss on disposal of capital assets	18,980,226	-	-	-	868,987
Unallocated depreciation*	23,786,072	-	-	-	(18,980,226)
Total government activities	812,079,178	17,543,306	35,579,096	21,268,097	(737,688,679)
<b>Total primary government</b>	<b>\$ 812,079,178</b>	<b>\$ 17,543,306</b>	<b>\$ 35,579,096</b>	<b>\$ 21,268,097</b>	<b>-</b>
Component Units:					
Educational foundation	\$ 3,879,558	\$ -	\$ 3,290,904	\$ -	(588,654)
Charter schools	1,530,129	-	68,599	-	(1,461,530)
<b>Total Component Units</b>	<b>\$ 5,409,687</b>	<b>\$ -</b>	<b>\$ 3,359,503</b>	<b>\$ -</b>	<b>(2,050,184)</b>
General revenues:					
Property taxes, levied for operational purposes					283,792,986
Property taxes, levied for capital projects					88,006,272
Local sales taxes					154,049
Grants and contributions not restricted to specific programs					395,723,158
Unrestricted investment earnings					5,879,669
Miscellaneous					11,181,504
Permanently restricted contributions					-
Total general revenues and permanently restricted contributions					784,737,638
Change in net assets before cumulative effect of change in accounting principle					47,048,959
Change in accounting principle					(4,367,124)
Change in net assets					42,681,835
Net assets - July 1, 2002					1,388,300,342
Net assets - June 30, 2003					\$ 1,430,982,177
					\$ 22,760,190

\* This amount excludes the depreciation that is allocated in the direct expenses of the various programs. The notes to the financial statements are an integral part of this statement.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA  
Balance Sheet  
Governmental Funds  
June 30, 2003

	Assets					Liabilities and fund balances		
	General	Capital Improvement Section 236.25(2) Fund	Capital Projects- Other Fund	Other Governmental Funds	Total Governmental Funds			
Cash and cash equivalents	\$ 957,363	\$ 46,427	\$ -	\$ 1,936,573	\$ 2,940,363			
Investments	73,255,586	106,362,225	25,955,880	28,659,514	234,233,205			
Accounts receivable, net	271,852	-	-	98,660	370,512			
Taxes receivable	7,897,562	2,449,078	-	-	10,346,640			
Interest receivable	356,405	612,747	91,203	162,333	1,222,688			
Due from other funds	26,570,025	38,700,154	944,980	1,116,081	67,331,240			
Due from other agencies	2,485,810	20,200	20,209,902	22,183,626	44,899,538			
Inventories	3,471,511	-	-	1,591,045	5,062,556			
Prepaid expenses and other	892,473	-	-	76,251	968,724			
<b>Total assets</b>	<b>\$ 116,158,587</b>	<b>\$ 148,190,831</b>	<b>\$ 47,201,965</b>	<b>\$ 55,824,083</b>	<b>\$ 367,375,466</b>			
Liabilities:	\$ 5,724,934	\$ -	\$ -	\$ -	\$ 5,724,934			
Salaries and benefits payable	14,509,123	-	-	768,946	15,278,069			
Payroll deductions and withholdings	2,195,193	363,045	219,048	641,664	3,418,950			
Accounts payable	621	6,617,535	1,740,289	4,422,755	12,781,200			
Construction contracts payable	32,517	-	-	-	32,517			
Sales taxes payable	865,207	-	-	132,619	997,826			
Due to Florida retirement system	16,790,701	26,308,913	14,073,249	20,538,945	77,711,808			
Due to other funds	350	-	-	57,989	58,339			
Deferred revenue	40,118,646	33,289,493	16,032,586	26,562,918	116,003,643			
<b>Total liabilities</b>								
Fund balances:								
Reserved:								
State categorical programs	2,171,763	-	-	-	2,171,763			
Encumbrances	5,576,381	49,734,703	26,498,982	6,798,085	88,608,151			
Inventories	3,471,511	-	-	1,591,045	5,062,556			
Debt service	-	-	-	1,913,751	1,913,751			
Unreserved:								
General fund	64,820,286	-	-	-	64,820,286			
Special revenue funds	-	-	-	5,577,197	5,577,197			
Capital project funds	-	65,166,635	4,670,397	13,231,554	83,068,586			
Permanent fund	-	-	-	149,533	149,533			
<b>Total fund balances</b>	<b>76,039,941</b>	<b>114,901,338</b>	<b>31,169,379</b>	<b>29,261,165</b>	<b>251,371,823</b>			
<b>Total liabilities and fund balances</b>	<b>\$ 116,158,587</b>	<b>\$ 148,190,831</b>	<b>\$ 47,201,965</b>	<b>\$ 55,824,083</b>	<b>\$ 367,375,466</b>			

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

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Assets**  
**June 30, 2003**

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

<b>Total fund balance - Governmental Funds</b>		\$ 251,371,823
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		1,325,519,687
The internal service fund is used by management to charge the costs of insurance to individuals funds. The assets and liabilities of the internal service fund was included in governmental activities in the statement of net assets.		4,564,741
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year end consists of:		
Liability for compensated absences	102,972,511	
Bonds payable	43,860,000	
Other long-term liabilities	476,042	
Obligations under capital leases	3,165,521	(150,474,074)
<b>Total net assets - Governmental Activities</b>		<u><u>\$ 1,430,982,177</u></u>

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2003**

	General	Capital Improvement Section 236.25(2) Fund	Capital Projects- Other Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Federal direct	\$ 252,651	\$ -	-	\$ 6,078,911	\$ 6,331,562
Federal through state	4,238,973	-	-	70,899,186	75,138,159
State sources	353,626,618	-	-	21,853,150	375,479,768
Local sources	293,392,698	90,450,777	636,752	16,246,351	400,726,578
Total revenues	651,510,940	90,450,777	636,752	115,077,598	857,676,067
<b>Expenditures</b>					
Current:					
Instruction	419,111,938	-	-	27,024,627	446,136,565
Pupil personnel services	29,834,538	-	-	6,444,243	36,278,781
Instructional media services	12,203,796	-	-	670,237	12,874,033
Instruction and curriculum development services	10,643,206	-	-	14,244,507	24,887,713
Instructional staff training services	2,794,860	-	-	2,661,311	5,456,171
Board of Education	1,319,881	-	-	-	1,319,881
General administration	6,293,008	-	-	2,641,897	8,934,905
School administration	49,233,963	-	-	451,688	49,685,651
Facilities acquisition and construction	68,311	-	-	8,525	76,836
Fiscal services	2,756,019	-	-	35,540	2,791,559
Food services	-	-	-	33,985,545	33,985,545
Central services	15,636,215	-	-	15,976,823	31,613,038
Pupil transportation services	29,948,271	-	-	340,608	30,288,879
Operation of plant	62,100,122	-	-	38,678	62,138,800
Maintenance of plant	20,825,271	-	-	205,503	21,030,774
Community services	909,360	-	-	2,114	911,474
Capital outlay:				1,327,234	2,236,594
Facilities acquisition and construction	379,008	61,979,004	35,866,363	45,805,211	144,029,586
Other capital outlay	4,408,494	-	-	3,363,010	7,771,504
Debt service:					
Principal	56,041	-	-	1,595,000	1,651,041
Interest and fees	683,333	-	-	2,447,074	3,130,407
Total expenditures	669,205,635	61,979,004	35,866,363	143,292,552	910,343,554
<b>Revenues in excess of (under) expenditures</b>	(17,694,695)	28,471,773	(35,229,611)	(28,214,954)	(52,667,487)
<b>Other financing sources (uses)</b>					
Proceeds from capital lease	-	3,110,850	-	-	3,110,850
Loss recoveries	409,323	-	-	-	409,323
Transfers in	8,990,000	1,498,786	-	-	10,488,786
Transfers out	-	(8,990,000)	(1,498,786)	-	(10,488,786)
Total other financing sources (uses)	9,399,323	(4,380,364)	(1,498,786)	-	3,520,173
<b>Net change in fund balances</b>	(8,295,372)	24,091,409	(36,728,397)	(28,214,954)	(49,147,314)
<b>Fund balance - July 1, 2002</b>	84,335,313	90,809,929	67,897,776	57,476,119	300,519,137
<b>Fund balance - June 30, 2003</b>	\$ 76,039,941	\$ 114,901,338	\$ 31,169,379	\$ 29,261,165	\$ 251,371,823

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

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**Year Ended June 30, 2003**

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

<b>Net change in fund balances - Total Governmental Funds</b>	<b>\$ (49,147,314)</b>
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount of capital outlays in excess of depreciation expense in the current period.	111,220,426
The loss on disposal of capital assets during the current period was reported in the statement of activities. The cost of these assets was recognized as an expenditure in the governmental funds in the year of purchase.	(18,880,227)
Certain capital assets acquired during the current period were financed with a capital lease. The capital lease was reported in the governmental funds as a source of funding. However, in the statement of net assets the capital lease was recorded as a long-term liability.	(3,110,850)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,651,041
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave earned in excess of the amount used in the current period.	(99,853)
The internal service fund was used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service fund was reported with governmental activities.	<u>1,048,612</u>
<b>Change in net assets of Governmental Activities</b>	<u><u>\$ 42,681,835</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA  
Statement of Net Assets  
Proprietary Fund  
June 30, 2003

	<u>Governmental Activities Internal Service Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 116,330
Investments	14,993,151
Due from reinsurers	285,364
Interest receivable	89,600
Due from other funds	<u>11,322,189</u>
Total assets	<u>\$ 26,806,634</u>
<b>Liabilities and net assets</b>	
Due to other funds	\$ 74,569
Estimated insurance claims payable	<u>22,167,324</u>
Total liabilities	<u>22,241,893</u>
Net assets:	
Unrestricted	<u>4,564,741</u>
Total liabilities and net assets	<u><u>\$ 26,806,634</u></u>

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2003**

	<b>Governmental Activities Internal Service Fund</b>
<b>Operating revenues</b>	
Premium revenue	\$ 12,851,934
Other	467,625
Loss recoveries	193,278
Total operating revenues	<u>13,512,837</u>
<b>Operating expenses</b>	
Insurance claims	<u>8,484,810</u>
<b>Operating income</b>	<u>5,028,027</u>
<b>Nonoperating revenue</b>	
Interest revenue	<u>387,709</u>
<b>Change in net assets before cumulative effect of change in accounting principle</b>	5,415,736
Cummulative effect of change in accounting principle	<u>(4,367,124)</u>
<b>Change in net assets</b>	1,048,612
<b>Total net assets - July 1, 2002</b>	<u>3,516,129</u>
<b>Total net assets - June 30, 2003</b>	<u><u>\$ 4,564,741</u></u>

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

**Statement of Cash Flows**

**Proprietary Fund**

**Year Ended June 30, 2003**

	<b>Governmental Activities Internal Service Fund</b>
<b>Operating activities</b>	
Cash received from General and other funds	\$ 8,885,770
Cash received from insurance companies on loss recoveries	193,278
Cash payments for insurance claims	(11,225,594)
<b>Net cash used in operating activities</b>	<b>(2,146,546)</b>
<b>Investing activities</b>	
Proceeds from the sale and maturities of investments	90,082,558
Interest and dividend received	390,870
Purchase of investments	(88,319,462)
<b>Net cash provided by investing activities</b>	<b>2,153,966</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,420</b>
<b>Cash and cash equivalents- July 1, 2002</b>	<b>108,910</b>
<b>Cash and cash equivalents- June 30, 2003</b>	<b>\$ 116,330</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating income	\$ 1,048,612
Adjustments to reconcile operating income to net cash used in operating activities:	
Change in assets and liabilities	
Accounts receivable	49,737
Due from reinsurers	55,668
Due from other funds	(9,062,873)
Accounts payable	(251,445)
Due to other funds	74,152
Estimated unpaid claims	5,939,603
Total adjustments	(3,195,158)
<b>Net cash used in operating activities</b>	<b>\$ (2,146,546)</b>

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



**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2003**

	<b>Agency Funds</b>		
	<b>School Internal Funds (unaudited)</b>	<b>Agency Funds</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,377,718	\$ 49	\$ 7,377,767
Investments	-	30,358	30,358
Accounts receivable, net	461,240	124	461,364
Due from other funds	78,079	401	78,480
<b>Total assets</b>	<b>\$ 7,917,037</b>	<b>\$ 30,932</b>	<b>\$ 7,947,969</b>
<b>Liabilities</b>			
Accounts payable	\$ 64,568	\$ 1,467	\$ 66,035
Deposits payable	-	16,325	16,325
Due to other funds	944,711	821	945,532
Due to other agencies	6,907,758	12,319	6,920,077
<b>Total liabilities</b>	<b>\$ 7,917,037</b>	<b>\$ 30,932</b>	<b>\$ 7,947,969</b>

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Reporting Entity**

The District School Board of Pinellas, Florida (the District) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida System of Public Education. The governing body of the District is the Pinellas District School Board (the School Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. The general operating authority of the School Board and Superintendent is contained in Chapters 228 through 238 of the Florida Statutes. Geographic boundaries of the District correspond with those of Pinellas County.

Pursuant to Section 237.01, Florida Statutes, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by 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 Pinellas County Education Foundation, Inc., and the following Charter Schools: Academie Da Vinci Charter School, Inc., The Athenian Academy Charter School, The Whole Child at UPARC Charter School, Inc. and the Pinellas Preparatory Academy, Inc.

The Pinellas County Education Foundation, Inc. (the Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 237.40, Florida Statutes. The Pinellas County Education Foundation receives, holds, invests and administers property and makes expenditures to or for the benefit of the District. An annual post audit of the organizations' financial statements was conducted by an independent certified public accountant and is filed in the District's administrative office.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 228.056, 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 (with the exception of The Athenian Academy, Inc. which was not audited) were conducted by independent certified public accountants and are filed in the District's administrative offices.

- **Basis of Presentation**

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

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 expense, which can be associated with a specific program or activity, are allocated to the related function, while remaining depreciation expense is reported as unallocated. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, 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, reconciliation is presented with each of the governmental fund financial statements.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District reports the following major governmental funds:

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

Capital Projects - Capital Improvement Section 236.25(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.

Capital Projects – Other – to account for the financial resources generated by Classroom First funds and “Penny for Pinellas” funds. These funds are used for capital outlay needs.

Additionally, the District reports the following fund types:

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

Special Revenue Funds - to account for the financial resources of the school food service program and certain Federal, State and local grant program resources.

Debt Service – State Board of Education Bond Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the Series 2000-A and Series 2001-A State School Bonds.

Agency Funds - to account for resources of the school internal funds, which are used to administer moneys, collected at several schools in connection with school, student, athletic, class, and club activities. Also, to account for resources held by the District as custodian for others.

- **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.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 21 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) prepaid items are generally not accrued; (2) interest on long-term debt is recognized as expenditures when due; and (3) expenditures related to liabilities reported as long-term debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Academie Da Vinci Charter School, Inc., The Whole Child at UPARC, Inc., The Athenian Academy, Inc. Charter School, and the Pinellas Preparatory Academy, Inc., shown as discretely presented component units, have implemented the requirement of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements- and Managements Discussion and Analysis - for State and Local Governments*.

- **Deposit and Investments**

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

Investments consist of amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 214.57, Florida Statutes. The District's investments in the Local Government Surplus Trust Fund, a Securities and Exchange Commission-Rule 2a7-like external investment pool, are reported at amortized cost. The reported value of the pool is the same as the fair value of the pool shares.

Investments made locally consist of U.S. Agency Securities, collateralized mortgage obligations, corporate asset backed securities, and money market funds are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving average basis, except 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.

- **Use of Estimates**

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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and fixed equipment	50 years
Furniture, fixtures and equipment	5 – 20 years
Motor vehicles	5 – 15 years
Audio visual materials and computer software	5 – 10 years

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

- **Long Term Liabilities**

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

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

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

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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **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 236.081, 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 one year 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 First Program). The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Classrooms First Program funds as deferred revenue until such time as an encumbrance authorization is received.

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

- **District Property Taxes**

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

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



**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The School Board adopted the 2002 tax levy on September 17, 2002. 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 governmental-wide financial statements when the School Board adopts the tax levy. Property tax revenues are recognized in the governmental-wide financial statements when the District receives taxes, except that revenue is accrued for taxes collected by the Pinellas County Tax Collector at fiscal year end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

- **Federal Revenue Sources**

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

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

- **Budgetary Information**

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

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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY (continued)**

- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**3. INVESTMENTS**

Generally accepted accounting principles require that the credit risk of investments be classified into the following three categories:

- Risk Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.
- Risk Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Risk Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

Certain investments, such as investment pools managed by other governments, cannot be categorized because the District's investments are not evidenced by specific, identifiable investment securities.

Section 218.407, Florida Statutes, authorizes the Board to participate in the State Board of Administration investment pool. Section 236.24(2), Florida Statutes, as well as other general laws of Florida, also authorizes the Board to invest in obligations of the United States Treasury and United States agencies, bonds of the District, and Florida State Board of Education bonds. The District's investment in obligations of the United States Government agencies and instrumentalities includes Real Estate Mortgage Investment Conduits and other mortgage-backed securities.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

**3. INVESTMENTS (continued)**

	Investments			Fair Value
	Risk Category			
	1	2	3	
Obligations of U.S. Government Agencies and Instrumentalities (1)	\$ 227,439,081	\$ -	\$ -	\$ 227,439,081
Investment in State Board of Administration Investment Pool				21,703,180
Money Market Mututal Funds (2)				84,095
Total Investments, Primary Government				\$ 249,226,356

Notes: (1) Includes \$157,448,778 of bonds, \$59,990,303 of Real Estate Mortgage Investment Conduit securities and \$10,000,000 of corporate asset-backed securities. Stated maturity dates for these securities ranged from December 2003 to December 2032.

(2) District funds are invested in a variety of money market mutual funds. The majority of these funds invest in obligations of the United States Treasury. Other investments include bank obligations, commercial instruments, and repurchase agreements.

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

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 26,570,025	\$ 16,790,701
Capital Projects:		
Capital Improvement Section 236.25(2)	38,700,154	26,308,913
Other	944,980	14,073,249
Nonmajor Governmental Funds	1,116,081	20,538,945
Internal Service Funds	11,322,189	74,569
Fiduciary Funds	78,480	945,532
	\$ 78,731,909	\$ 78,731,909

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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

**4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)**

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

	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 8,990,000	\$ -
Capital Projects:		
Capital Improvement Section 236.25(2)	1,498,786	8,990,000
Other Capital Projects	-	1,498,786
	<u>\$ 10,488,786</u>	<u>\$ 10,488,786</u>

The \$8,990,000 transfer made from the Capital Improvement Section 236.25(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund. The \$1,498,786 transfer from the Other Capital Projects Fund to the Capital Improvement Section 236.25(2) Fund was to cover capital outlay costs incurred.

**5. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2002 tax roll for the 2002-2003 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.808	\$ 264,393,023
Basic Discretionary Local Effort	0.510	23,216,330
Supplement discretionary Local Effort	0.131	5,963,411
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	2.000	91,044,430
	<u>8.449</u>	<u>\$ 384,617,194</u>

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**6. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 77,890,146	\$ 380,362	\$ -	\$ 78,270,508
Land Improvements - Non-depreciable	17,839,242	837,062	-	18,676,304
Construction in Progress	282,166,492	107,867,247	35,678,975	354,354,764
Total Capital Assets Not Being Depreciated	377,895,880	109,084,671	35,678,975	451,301,576
<b>Capital Assets Being Depreciated:</b>				
Buildings and Fixed Equipment	1,070,642,804	49,720,254	19,787,706	1,100,575,352
Furniture, Fixtures and Equipment	131,929,950	16,934,830	9,572,909	139,291,871
Motor Vehicles	41,660,659	4,550,152	2,386,866	43,823,945
Property Under Capital Lease	262,292	3,110,850	-	3,373,142
Audio Visual and Computer Software	10,070,602	4,073,455	4,369,467	9,774,590
Total Capital Assets Being Depreciated	1,254,566,307	78,389,541	36,116,948	1,296,838,900
<b>Less Accumulated Depreciation for:</b>				
Buildings and Fixed Equipment	283,147,576	22,593,912	6,549,057	299,192,431
Furniture, Fixtures and Equipment	88,500,408	13,799,491	6,826,492	95,473,407
Motor Vehicles	21,043,408	2,949,594	2,039,474	21,953,528
Property Under Capital Lease	161,747	52,461	-	214,208
Audio Visual and Computer Software	6,429,560	1,179,353	1,821,698	5,787,215
Total Accumulated Depreciation	399,282,699	40,574,811	17,236,721	422,620,789
<b>Total Capital Assets Being Depreciated, Net</b>	<b>855,283,608</b>	<b>37,814,730</b>	<b>18,880,227</b>	<b>874,218,111</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,233,179,488</b>	<b>\$ 146,899,401</b>	<b>\$ 54,559,202</b>	<b>\$ 1,325,519,687</b>

The classes of property under capital leases are presented in Note 8.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**6. CHANGES IN CAPITAL ASSETS (continued)**

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

Governmental Activities:	
Instruction	\$ 6,890,399
Pupil personnel services	167,822
Instructional media services	214,526
Instruction and curriculum development services	278,130
Instructional staff training	580,042
Board of Education	4,533
General administration	91,603
School administration	150,626
Facilities acquisition and construction	5,688,845
Fiscal services	30,470
Food service	451,355
Central services	808,175
Pupil transportation services	854,648
Operation of plant	230,516
Maintenance of plant	243,550
Community of services	7,879
Unallocated	23,881,691
Total depreciation expense - governmental activities	<u><u>\$ 40,574,811</u></u>

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

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Tax anticipated notes	\$ -	\$ 40,000,000	\$ 40,000,000	\$ -
Total Government Activities	<u><u>\$ -</u></u>	<u><u>\$ 40,000,000</u></u>	<u><u>\$ 40,000,000</u></u>	<u><u>\$ -</u></u>

Tax anticipation notes were sold for the payment of operating expenses incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes. The notes carried an interest rate of three percent.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**8. OBLIGATIONS UNDER CAPITAL LEASES**

The assets acquired through capital leases for governmental activities were for copiers and buses of \$262,292 and \$3,112,850, respectively.

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

	Total	Principal	Interest
2004	\$ 426,816	\$ 320,510	\$ 106,306
2005	370,352	275,038	95,314
2006	370,352	284,553	85,799
2007	370,352	294,397	75,955
2008	370,352	304,581	65,771
2009-2013	1,849,763	1,686,441	163,322
	<u>\$ 3,757,988</u>	<u>\$ 3,165,521</u>	<u>\$ 592,467</u>

The imputed interest rate is 6.510% and 3.43% on the copiers and buses leases, respectively.

**9. BONDS PAYABLE**

Bonds payable at June 30, 2003, were as follows:

	Amount	Interest Rates	Maturity
State School Bonds:			
Series 2000-A	\$ 43,035,000	4.625 - 6%	2020
Series 2001-A	825,000	4.10 - 5.25%	2021
Total Bonds Payable	<u>\$ 43,860,000</u>		

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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

**9. BONDS PAYABLE (continued)**

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

	Total	Principal	Interest
2004	\$ 4,038,173	\$ 1,670,000	\$ 2,368,173
2005	4,043,298	1,755,000	2,288,298
2006	4,044,410	1,840,000	2,204,410
2007	4,044,356	1,930,000	2,114,356
2008	4,042,643	2,025,000	2,017,643
2009-2013	20,238,595	11,795,000	8,443,595
2014-2018	20,241,998	15,380,000	4,861,998
2019-2021	8,115,513	7,465,000	650,513
	<u>\$ 68,808,986</u>	<u>\$ 43,860,000</u>	<u>\$ 24,948,986</u>

**10. 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	\$ 102,872,658	\$ 8,925,274	\$ 8,825,421	\$ 102,972,511	\$ 9,810,525
Estimated insurance claims payable	16,227,721	11,225,594	5,285,991	22,167,324	5,200,000
Bonds payable	45,455,000	-	1,595,000	43,860,000	1,670,000
Other	476,042	-	-	476,042	110,055
Obligations under capital leases	110,712	3,110,850	56,041	3,165,521	320,510
Total	<u>\$ 165,142,133</u>	<u>\$ 23,261,718</u>	<u>\$ 15,762,453</u>	<u>\$ 172,641,398</u>	<u>\$ 17,111,090</u>

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

**11. RESERVE FOR ENCUMBRANCES**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2003-04 fiscal year budget as a result of purchase orders outstanding at June 30, 2003



**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**12. SCHEDULE OF STATE REVENUE SOURCES**

The District's State revenue for the year ended June 30, 2003 follows:

Florida Education Finance Program	\$ 267,603,111
Categorical Educational Program:	
Instructional materials	9,782,913
Student transportation	17,091,018
Excellent teacher	1,390,699
Public school technology	2,803,490
Teacher Training	1,625,008
Workforce development program	25,773,014
Gross receipts tax (Public Education Capital Outlay)	16,422,285
District discretionary lottery funds	8,512,752
Medicaid	4,238,973
Motor vehicle license tax (Capital outlay and Debt Service)	4,617,972
Florida school recognition program	5,333,622
Florida teachers lead program	711,135
Pre-K early intervention	3,459,542
Mobile home license tax	785,467
Food service supplement	640,466
Adults with disabilities	910,763
Charter School Capital Outlay Funding	144,756
Pari-mutuel tax	223,250
Miscellaneous	3,409,532
	<u>\$ 375,479,768</u>

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

**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 six years or number of 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

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**13. STATE RETIREMENT PROGRAM (continued)**

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.

Funding Policy. The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2002-03 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System:		
Regular	0.00	5.76
County Elected Officers	0.00	11.86
Senior Management Service Class	0.00	6.06
Special Risk	0.00	16.01
Re-employe Retiree	0.00	5.76
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	0.00	9.11

Note: (A) Employer rates include the post-retirement health insurance supplements of 1.11% and 0.15% investment plan 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, 2001, 2002, and 2003 totaled \$43,441,101.26, \$36,046,266 and \$29,585,239, respectively, which were equal to the required contributions for each fiscal year.

**14. TAX DEFERRAL PLANS AND OTHER BENEFITS**

The District allows employees to participate in a 401(a) qualified retirement plan. Participation is required for employees that are retiring and are eligible for terminal leave benefits. Contributions to the plan are made on a pre-tax basis. In the last year of employment the maximum plan contribution cannot exceed 100% of plan year compensation or \$40,000, whichever is less. In all other years, the maximum plan contribution cannot exceed 100% of plan year salary or \$40,000 whichever is less. Federal income taxes on this compensation are deferred until distributions are taken. Employee contributions to the plan were \$8,870,106 for the period ended June 30, 2003.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**14. TAX DEFERRAL PLANS AND OTHER BENEFITS (continued)**

The District offers eligible employees participation in an optional tax deferred annuity 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 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, 2003 was \$57,690,652.

**15. CONSTRUCTION CONTRACT COMMITMENTS**

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

Project	Contract Amount	Completed To Date	Balance Committed
Largo Middle School:			
General Contractor	\$ 8,821,776	\$ 5,456,523	\$ 3,365,254
Architect	778,406	728,819	49,587
Bay Point Middle/ Elementary School:			
General Contractor	29,253,803	29,120,870	132,933
Architect	2,008,790	1,996,897	11,893
Campbell Park Elementary School:			
General Contractor	10,921,999	10,584,567	337,432
Architect	401,990	387,751	14,239
Dunedin Middle School:			
General Contractor	17,411,789	13,915,455	3,496,334
Architect	723,010	599,474	123,536
Eisenhower Elementary School:			
General Contractor	7,312,006	5,835,169	1,476,837
Architect	502,609	498,392	4,217
Fairmount Park Elementary School:			
General Contractor	10,910,700	10,453,034	457,666
Architect	453,394	408,577	44,817
Gibbs High School:			
General Contractor	26,006,406	4,266,637	21,739,769
Architect	2,478,600	1,779,940	698,660
Gulfport Elementary School:			
General Contractor	11,147,005	10,996,073	150,932
Architect	387,315	254,905	132,410

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**15. CONSTRUCTION CONTRACT COMMITMENTS (continued)**

Project	Contract Amount	Completed To Date	Balance Committed
Meadowlawn Middle School:			
General Contractor	19,199,278	17,557,591	1,641,687
Architect	816,848	749,926	66,922
Safety Harbor Middle School:			
General Contractor	4,777,360	381,729	4,395,631
Architect	792,643	480,125	312,518
Shore Acres Elementary School:			
General Contractor	6,928,835	2,217,410	4,711,425
Architect	742,770	505,461	237,309
Starkey Elementary School:			
General Contractor	4,211,235	2,183,109	2,028,125
Architect	493,152	327,936	165,216
Sunset Hills Elementary School:			
General Contractor	9,779,379	4,282,517	5,496,862
Architect	410,130	343,803	66,327
Tarpon Fundamental School:			
General Contractor	1,460,000	15,550	1,444,450
Architect	301,430	189,988	111,442
Thurgood Marshall Middle School:			
General Contractor	17,687,470	17,685,470	2,000
Architect	603,170	517,733	85,437
Bayside High School:			
General Contractor	4,471,600	-	4,471,600
Architect	842,663	428,717	413,946
Cypress Woods Elementary School:			
General Contractor	4,772,757	4,697,695	75,062
Architect	420,106	405,978	14,128
Lake St. George Elementary School:			
General Contractor	5,254,880	400,398	4,854,482
Architect	537,316	487,066	50,250
Total	<u>\$ 214,022,620</u>	<u>\$ 151,141,285</u>	<u>\$ 62,881,335</u>

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
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**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.

Pinellas County Schools has a self-funded insurance program which covers property claims up to \$100,000, workers' compensation claims up to \$250,000, and general and automobile liability claims up to \$100,000 per claimant or \$200,000 per occurrence, which is the statutory limit provided by the Sovereign Immunity Provision of Florida Statute 768.

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, 2003, a liability of \$22,167,324 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. For the period ended June 30, 2002, the estimated insurance claims payable was recorded using the discounted method – see Note 18.

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

		Additions		Claims Payments	End of Year
	Beginning of Year	Claims and Changes in Estimates	Change in Accounting Principle		
2002	\$ 19,215,960	\$ 3,694,211	\$ -	\$ (6,682,450)	\$ 16,227,721
2003	16,227,721	6,858,470	4,367,124	(5,285,991)	22,167,324

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.

**District School Board of Pinellas County, Florida**  
**Notes to Financial Statements**  
**June 30, 2003**

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**17. LITIGATION**

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

**18. CHANGE IN ACCOUNTING PRINCIPLE**

For the period ended June 30, 2003, the District changed from recording the estimated insurance claim liability for worker's compensation, general liability and vehicle liability from the discounted method to the gross method (see Note 16). In the prior fiscal year, the discounted method was used to recognize the expected rate of return (5%) on investments held in the internal service fund. Management believes the gross method minimizes the effect of changes in interest rates on the estimated insurance claim liability. The cumulative effect of the change in accounting principle was to decrease the governmental-wide statement of net assets and the internal service fund's net assets at June 30, 2003 by \$4,367,124.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2003**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Federal direct	\$ 185,000	\$ 252,652	\$ 252,651	\$ (1)
Federal through state	800,000	4,238,973	4,238,973	-
State sources	351,697,634	353,626,617	353,626,618	1
Local sources	295,961,935	293,988,469	293,392,698	(595,771)
Total revenues	648,644,569	652,106,711	651,510,940	(595,771)
<b>Expenditures</b>				
Current:				
Instruction	442,672,744	422,185,766	419,111,938	3,073,828
Pupil personnel services	29,569,253	29,890,765	29,834,538	56,227
Instructional media services	12,042,747	12,339,666	12,203,796	135,870
Instruction and curriculum development services	12,000,544	10,750,339	10,643,206	107,133
Instructional staff training services	5,186,046	3,006,940	2,794,860	212,080
Board of Education	1,114,913	1,334,710	1,319,881	14,829
General administration	6,042,800	6,339,772	6,293,008	46,764
School administration	47,407,469	49,635,703	49,233,963	401,740
Facilities acquisition and construction	465,220	121,408	68,311	53,097
Fiscal services	5,741,232	3,826,944	2,756,019	1,070,925
Central services	16,695,974	16,115,738	15,636,215	479,523
Pupil transportation services	26,056,680	30,023,678	29,948,271	75,407
Operation of plant	62,327,327	62,303,347	62,100,122	203,225
Maintenance of plant	20,125,617	21,400,686	20,825,271	575,415
Community services	1,269,110	918,294	909,360	8,934
Capital outlay:				
Facilities acquisition and construction	379,008	379,008	379,008	-
Other capital outlay	4,402,938	4,402,938	4,408,494	(5,556)
Debt service:				
Principal	-	56,041	56,041	-
Interest and fees	-	5,555	683,333	(677,778)
Total expenditures	693,499,622	675,037,298	669,205,635	5,831,663
<b>Deficiency of revenues over expenditures</b>	<b>(44,855,053)</b>	<b>(22,930,587)</b>	<b>(17,694,695)</b>	<b>5,235,892</b>
<b>Other financing sources</b>				
Loss recoveries	-	409,321	409,323	2
Transfers in	9,068,000	8,990,000	8,990,000	-
Total other financing sources	9,068,000	9,399,321	9,399,323	2
<b>Net change in fund balances</b>	<b>(35,787,053)</b>	<b>(13,531,266)</b>	<b>(8,295,372)</b>	<b>5,235,894</b>
<b>Fund balance - July 1, 2002</b>	<b>82,721,047</b>	<b>82,721,047</b>	<b>84,335,313</b>	<b>(1,614,266)</b>
<b>Fund balance - June 30, 2003</b>	<b>\$ 46,933,994</b>	<b>\$ 69,189,781</b>	<b>\$ 76,039,941</b>	<b>\$ 3,621,628</b>



## **OTHER SUPPLEMENTARY INFORMATION-**

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2003**

<b>FEDERAL GRANTOR / PASS-THROUGH GRANT/ PROGRAM TITLE</b>	<b>CFDA Number</b>	<b>Pass - Through Grantor Number</b>	<b>Amount of Expenditure</b>	<b>Amount Provided to Subrecipients</b>
<b>U. S. Department of Agriculture:</b>				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550	N/A	\$ 1,867,058	\$ -
Florida Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	300	12,919,038	-
Summer Food Service Program for Children	10.559	323	69,031	-
School Breakfast Program	10.553	321	2,992,485	-
Total Nutrition Cluster			15,980,554	-
<b>Total U. S. Department of Agriculture</b>			17,847,612	-
<b>Department of Homeland Security</b>				
Cuban and Haitian Entrant Resettlement Program	97.009	N/A	187,548	-
<b>U. S. Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	10,400	-
Federal Pell Grant Program	84.063	N/A	831,099	-
Federal Work Study Program	84.033	N/A	40,580	-
			882,079	-
Impact Aid	84.041	N/A	34,707	-
Magnet Schools Assistance	84.165	N/A	2,194,474	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	1,302,772	-
Fund for the Improvement of Education	84.215	N/A	1,447,734	-
Transition to Teaching	84.350	N/A	228,305	-
Foreign Language Incentive Program	84.294	N/A	33,210	-
<b>Total Direct</b>			6,123,281	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262	19,824,814	-
Special Education - Preschool Grants	84.173	2660	848,535	-
Total Special Education Cluster			20,673,349	-
Adult Education State Grant Program	84.002	191	879,854	-
Title I Grants to Local Educational Agencies	84.010	212	20,187,245	-
Vocational Education - Basic Grants to States	84.048	151	1,825,796	-
Immigrant Education	84.162	136	139,259	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	1073	1,787	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	1,013,517	-
Education for Homeless Children and Youth	84.196	127	71,445	-
Even Start - State Educational Agencies	84.213	219	241,502	-
Goals 2000 Technology State and Local Education Systemic Improvement Grant	84.276	133	140,207	-
Charter Schools	84.282	298	199,879	199,879
Innovative Education Program Strategies	84.298	113	858,456	-
Education Technology State Grants	84.318	121	472,987	-
Comprehensive School Reform Demonstration	84.332	1280	499,437	-
Reading Excellence	84.338	138	27	-
School Renovation IDEA Technology	84.352	145	276,449	-
Reading First State Grants	84.357	2133	43,724	-
English Language Acquisition Grants	84.365	1023	77,121	-
Improving Teacher Quality State Grants	84.367	2243	4,881,544	-
Total Indirect			31,810,236	199,879
<b>Total U. S. Department of Education</b>			58,606,866	199,879

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2003

FEDERAL GRANTOR / PASS-THROUGH GRANT/ PROGRAM TITLE	CFDA Number	Pass - Through Grantor Number	Amount of Expenditure	Amount Provided to Subrecipients
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education				
Learn and Serve America - School and Community Based Programs	94.004	23450	10,872	-
<b>U. S. Department of Defense:</b>				
Direct:				
Troops to Teachers	None	N/A	2,526	-
JROTC				
Army Junior Reserve Officers Training Corps	None	N/A	126,980	-
Navy Junior Reserve Office Training Corps	None	N/A	40,930	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	47,518	-
<b>Total U. S. Department of Defense</b>			217,954	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 76,870,852</b>	<b>\$ 199,879</b>

- Notes:** (1) Basis of Presentation: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District School Board of Pinellas County, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations*. The amounts been reconciled to and are in material agreement with the District's accounting records from which the basic financial statements have been prepared.
- (2) Noncash Assistance:  
Food Distribution Represents the amount of donated food consumed during the fiscal year. Commodities were valued at fair value at the time of donation.

## **COMPLIANCE AND SINGLE AUDIT**



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

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

We have audited the basic financial statements of the District School Board of Pinellas County, Florida (the "District") as of and for the year ended June 30, 2003, and have issued our report thereon dated March 18, 2004. We did not audit the financial statements of the charter schools and foundation listed in Note 1 to the financial statements, reported as discretely presented component units. In addition, our audit did not extend to the school internal funds reported as Agency Funds in the basic financial statements. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District, in a separate letter dated March 18, 2004.

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

*Cherry, Berkert & Holland, L.L.P.*

St. Petersburg, Florida  
March 18, 2004



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

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

**Compliance**

We have audited the compliance of the District School Board of Pinellas County, Florida (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Internal Control over Compliance**

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs (Findings No. 03-01 to 03-06).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

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

St. Petersburg, Florida  
March 18, 2004



**District School Board of Pinellas County, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2003**

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**Part I - Summary of Audit Results**

1. The auditors' report on the financial statements expresses unqualified opinions on the financial statements of governmental activities and each major fund. The auditors' report on the financial statement expresses a qualified opinion on the aggregate remaining fund information due to the exclusion of the school internal accounts from the scope of the audit.
2. No reportable conditions were disclosed relating to the audit of the basic financial statements in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. Reportable conditions in internal control over a major program were disclosed during the audit, however, none of the reportable conditions was considered to be a material weakness.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. The programs tested as major programs were as follows:

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster:	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
School Breakfast Program	10.553
Student Financial Assistance Cluster:	
Supplemental Educational Opportunity Grants	84.007
Work Study Program	84.033
Pell Grant Program	84.063
Title I – Grants to Local Educational Agencies	84.010
Title II – Improving Teacher Quality State Grants	84.367

7. The threshold used to distinguish a Types A and B program was \$2,306,126.
8. The District was not determined to be a low risk auditee.

**Part II – Findings - Financial Statement Audit**

None reported.

**District School Board of Pinellas County, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2003**

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

**U.S. Department of Education**

Student Financial Assistance Cluster  
CFDA No.: 84.007, 84.033 and 84.063  
Grantor No: N/A

**Finding: 03-01**

Cash Receipts and Disbursements

Criteria: In accordance with OMB Circular A-133, the District is responsible for maintaining internal controls that provide reasonable assurance that the District is managing Federal awards in compliance with applicable regulations and cash management requirements.

Statement of Condition: A reconciliation of financial aid cash receipts and disbursements was not performed during the fiscal year between the District and the Pinellas Technical Education Centers (PTECs), located in St. Petersburg and Clearwater, between the District and the Grant Administration and Payment System (GAPS).

Recommendation: We recommend that the District perform periodic reconciliation's between the District and the PTEC's and between the District and the GAPS with the assistance of the third party consultant. This recommendation was made in a prior year - see Summary Schedule of Prior Auditing Findings, Finding No. 01-01.

**Finding: 03-02**

Special Tests and Provisions

Criteria: Title 34, Section 668.22, code of Federal Regulations, requires institutions to determine whether Pell grant funds were earned by students who withdrew. For those students who are determined to have earned Pell grant funds in excess of Pell grant funds that were disbursed to the student at the time of withdrawal, the difference must be treated as a post-withdrawal disbursement. The institutions must offer to the student any amount of a post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of the institution's determination that the student withdrew.

Statement of Condition: We found that three of the nineteen students tested that withdrew from the PTEC's were not calculated correctly and two of the nineteen students were not notified timely of their post-withdrawal disbursement.

Recommendation: We recommend that the PTEC's enhance procedures to correctly calculate post-withdrawal disbursements. In addition, the PTEC's should timely notify students in accordance with federal regulations. This recommendation was made in prior years, see Summary Schedule of Prior Auditing Findings, Finding No. 01-04 and 02-12.

**Finding: 03-03**

Special Tests and Provisions

Criteria: Title 34, Section 668.165(a), code of Federal Regulations, provides that before a District disburses Title IV funds for an award year, the District must notify the student of the amount of funds that the student can expect to receive under each Title IV program, and how and when the funds will be disbursed.

**District School Board of Pinellas County, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2003**

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*Statement of Condition:*

While reviewing student files during eligibility testing, we noted the files did not contain a student notification letter. It appeared the students were notified of the Title IV funding, however, due to the lack of documentation in the file, we were not able to determine if the students were timely notified by the District.

*Recommendation:* We recommend that the District maintain a copy of the student notification letter in the file to document compliance with federal regulations and that the notification is timely submitted to the student. This recommendation was made in the prior year - see Summary Schedule of Prior Auditing Findings, Finding No. 02-06.

**Finding: 03-04**

Special Tests and Provisions

*Criteria:* Title 34, Section 668.14(b)(4), Code of Federal Regulations, requires the District to establish and maintain administrative and fiscal procedures and records to ensure proper and efficient administration of student financial assistance funds.

*Statement of Condition:* Our review disclosed that the District had not performed a reconciliation between the District's financial assistance accounting records maintained at the District office and the financial assistance disbursement records maintained at the PTEC's. In addition, there was no reconciliation between the District and the GAPS and between the District and the cost reimbursement requests.

*Recommendation:* We recommend that the District develop and implement procedures to reconcile the financial assistance records maintained at the PTEC's to the accounting records at the District office on a timely basis. In addition, a reconciliation should be performed between the District and the cost reimbursement requests. This recommendation was made in the prior year – see Summary Schedule of Prior Auditing Findings, Finding No. 02-07.

**Finding: 03-05**

Special Tests and Provisions

*Criteria:* Title 34, Section 668.22, Code of Federal Regulations, requires a student that is the recipient of Pell grant funds and withdraws from the institution during a payment period, the institution must determine the amount of grant assistance that the student earned as of the student's withdrawal date. For those students who are determined to have received Pell grant overpayments, the institution is required to return to the Pell grant program the overpayment within 30 days after the date the institution determined that the student withdrew. In addition, within 30 days after the date of the institution's determination that the student withdrew, the institution must send a notice to any student who owes a Pell grant overpayment.

*Statement of Condition:* We found that overpayments of Pell grants were incorrectly calculated for two of the students tested. In addition, four of the students tested were not timely notified of overpayments in accordance with Federal regulations.

*Recommendation:* We recommend that the PTEC's enhance their procedures to correctly calculate overpayments. In addition, the PTEC's should timely return the overpayments and notify students of any overpayments in accordance with Federal regulations. This

**District School Board of Pinellas County, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2003**

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recommendation was made in the prior year - see Summary Schedule of Prior Auditing Findings, Finding No. 02-11.

**Finding: 03-06**

**Federal Program Reviews**

Criteria: in July 2000, the U.S. Department of Education (DOE) performed a review for the periods ended June 30, 1999 and 2000. Based on this review, PTEC-St. Petersburg was placed on a cost reimbursement basis. In January 2003, the District and the DOE finalized a settlement based on the results of the review which required the District to reimburse the DOE approximately \$154,000 and agreed to hire a third-party servicer/consultant to assist in administering the student financial aid programs.

In February 2002, the DOE performed a review at PTEC-Clearwater for the periods ended June 30, 2001 and 2002. Based on the results of the review, PTEC-Clearwater agreed to reimburse DOE \$107,977. In addition, PTEC-Clearwater was placed on provisional certification for its student financial assistance programs until December 31, 2005.

Statement of Condition: The District did not engage the agreed upon consultant until after June 30, 2003.

Recommendation: We recommend that the District continue its efforts to strengthen internal control over the student financial assistance programs. The consultant's assistance should be utilized by the District to develop appropriate internal controls to ensure that cost reimbursements agree to the accounting records and are periodically reconciled. This recommendation was made in the prior years, see Summary Schedule of Prior Auditing Findings, Finding No. 02-04.



PINELLAS COUNTY  
SCHOOLS

*Governor's Sterling Award Winner*

ADMINISTRATION BUILDING  
301 Fourth Street S.W.  
P.O. Box 2942  
Largo, FL 33779-2942  
(727) 586-1818  
FAX (727) 588-6202

School Board of  
Pinellas County,  
Florida

Chairman  
Jane Gallucci

Vice Chairman  
Carol J. Cook

Lee Benjamin  
Nancy N. Bostock  
Mary L. Tyus Brown  
Linda S. Lerner  
Mary L. Russell

Superintendent  
J. Howard Hinesley, Ed.D.

March 29, 2004

Cherry, Bekaert & Holland, L.L.P.  
111 Second Avenue NE, Suite 1200  
St. Petersburg, Florida 33701

Re: Pinellas County District School Board  
Management Advisory Comments

Gentlemen:

Listed below are responses to the preliminary and tentative findings and recommendations for the fiscal year ended June 30, 2003.

**Federal Agency-Department of Education  
Student Financial Aid Cluster  
CDFA Nos. 84.007, 84.003 and 84.063**

**03-01 Cash Receipts and Disbursements**

**Reconciliation of financial aid cash receipts and disbursements  
not performed**

The district has completed a reconciliation in December of 2003 and will implement procedures to reconcile on a periodic basis.

**03-02 Special Tests and Provisions**

**Post withdrawal disbursements were not calculated correctly**

The district has engaged the services of a Third Party in fiscal year 2003/04 to review R2T4 calculations for accuracy with students receiving proper and timely notification.

**03-03 Special Tests and Provisions**

**Timely notification not provided to students on amount and type  
of award**

The district has engaged the services of a Third Party in fiscal year 2003/04 to verify student eligibility.

**03-04 Special Tests and Provisions**

**Reconciliation not completed between records maintained by PTEC and the district.**

The district has engaged the services of a Third Party in fiscal year 2003/04 to administer their Pell Grant Program. A reconciliation has been performed for 2002/03 Pell Grant expenditures.

**03-05 Special Tests and Provisions**

**Overpayments of Pell Grants were incorrectly calculated**

The district has engaged a Third Party in fiscal year 2003/04 to perform a record verification to ensure accurate payments and proper notification.

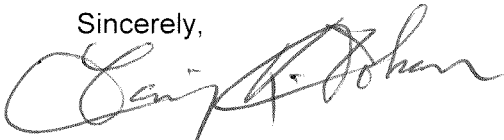
**03-06 Federal Program Reviews**

**Reviews performed by DOE resulted in reimbursement by the district and DOE to the DOE**

The district has complied with DOE requests and submitted all requested reimbursements.

Please contact me at 588-6318 if you have any questions or concerns requesting the above. We appreciate the professional manner in which your staff conducted the audit and we look forward to working with you on future audits.

Sincerely,



Lansing K. Johansen  
Chief Business Officer

cc: J. Howard Hinesley, EdD., Superintendent, Pinellas County Schools  
Fred Matz, Assistant Superintendent, Finance & Business Services  
Kevin Smith, Director of Accounting

**District School Board of Pinellas County, Florida**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2003**

<b>Audit Report No. and Federal Awards Finding No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
June 30, 2001 01-01	Student Financial Assistance Cluster (CFDA 84.007 and 84.063) - Cash Receipts and Disbursements	The District did not perform a reconciliation of Financial Aid Cash receipts and disbursements.	Incomplete	The District completed a reconciliation at year end and returned excess funds to the DOE. This reconciliation should be completed on a monthly basis.
01-03	Student Financial Assistance Cluster (CFDA 84.007 and 84.063) - Special Tests and Provisions	The District did not send overpayment notification letters to students who withdrew within the required time period.	Completed	No instances of non-compliance found.
01-04	Student Financial Assistance Cluster (CFDA 84.007 and 84.063) - Special Tests and Provisions	Post-withdrawal disbursements were not calculated correctly and students were not notified timely of their post-withdrawal disbursements.	Incomplete	The third party administrator or the Quality Assurance Team has reviewed the calculations for both campuses. Procedures continue to be improved in this area.
01-05	Student Financial Assistance Cluster (CFDA 84.007 and 84.063) - Special Tests and Provisions	The District did not obtain proper documentation to verify student provided information when calculating their Expected Family Contribution.	Completed	No instances of non-compliance found.
Management Letter	Student Financial Assistance Cluster - Compliance	The District did not pay students in accordance with federal regulations.	Completed	No instances of non-compliance found.
June 30, 2002 02-01	Title I and Special Education - Grants to States (CFDA 84.010 and 84.027) - Procurement	Certain written contracts were missing required contractual provisions for expenditures funded with Federal moneys.	Completed	The General Bid Terms & Conditions included in bid documents has been modified to include missing provisions.
02-02	Title I and Special Education - Grants to States (CFDA 84.010 and 84.027) - Procurement	Purchases exceeding bid threshold requirements were made without a request for competitive bids.	Completed	No instances of bid non-compliance found.
02-03	Special Education - Grants to States (CFDA 84.027)	Expenditures were charged to a grant that were incurred outside of the period of availability.	Completed	No expenditures were found to be incurred outside of the period of availability.
02-04	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Federal Program Reviews	Reviews performed by the United States Department of Education (USDOE) resulted in reimbursements by the District to the DOE.	Incomplete	A third party was contracted to review student files to verify accuracy and compliance. The Quality Assurance Team has been implemented to review student records and submissions to DOE. Some issues with compliance are still being resolved.
02-05	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	Student ledgers were not consistently maintained in accordance with Federal regulations.	Completed	All student records reviewed in current year were maintained in accordance with Federal regulations.
02-06	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	Timely notification was not provided to all students on the amount and type of award they were to receive before assistance was disbursed.	Incomplete	Timely notification procedures have been implemented at the St. Petersburg campus successfully. The Clearwater campus is in the process of adopting the same procedures.
02-07	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	A reconciliation was not completed between records maintained at the PTECs to the accounting records (general ledgers) at the District office on a timely basis.	Incomplete	A reconciliation for 2002 is almost complete. A reconciliation for 2003 will be completed with the assistance of the third party administrator.
02-08	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	Pell payments were not disbursed within the payment periods.	Complete	No instances of non-compliance found.
02-09	Student Financial Assistance Cluster (CFDA 84.063) - Eligibility	Pell grant awards were not calculated correctly.	Complete	No instances of non-compliance found.

**District School Board of Pinellas County, Florida**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2003**

<b>Audit Report No. and Federal Awards Finding No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
02-10	Student Financial Assistance Cluster (CFDA 84.063) - Reporting	Drawdown of Pell funds exceeded the authorization accepted by the GAPS system at the PTEC - Clearwater site.	Completed	Overage was returned to the DOE. No other overages noted.
02-11	Student Financial Assistance Cluster (CFDA 84.063) - Special Tests and Provisions	Overpayments of Pell grants were incorrectly calculated. Also, students were not timely notified of overpayments in accordance with Federal regulations.	Incomplete	The third party administrator or the Quality Assurance Team has reviewed the calculations for both campuses. Procedures continue to be improved in this area.
02-12	Student Financial Assistance Cluster (CFDA 84.007 and 84.063) - Special Tests and Provisions	Post-withdrawal disbursements were not calculated correctly and students were not notified timely of their post-withdrawal disbursements.	Incomplete	The third party administrator or the Quality Assurance Team has reviewed the calculations for both campuses. Procedures continue to be improved in this area.





## INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

We have audited the basic financial statements of the District School Board of Pinellas County, Florida (the "District"), as of and for the fiscal year ended June 30, 2003 and have issued our report thereon dated March 18, 2004. We did not audit the financial statements of the charter schools or foundation, reported as discretely presented component units; these financial statements were audited by other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Program, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 18, 2004, 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. Those rules (Section 10.804(1)(d)1) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not inaccuracies, shortages, defalcations, fraud, and/or violation of laws, rules, regulations, and contractual provisions reported in the preceding annual financial report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.804(1)(d)2) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial report have been followed. This is included in the Summary Schedule of Prior Audit Findings.

As required by the Rules of the Auditor General (Section 10.804(1)(d)3), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. Management of the District has determined that the District is not in a state of financial emergency under Section 218.503(1). In connection with our audit, the results of our tests did not indicate that the District is in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the District's compliance with this requirement.

The rules of the Auditor General (Section 10.804(1)(d)4), any recommendations to improve the District School Board's present financial management, accounting procedures, and internal controls. See Appendix A to this document for our comments and recommendations.

The rules of the Auditor General (Section 10.804(d)5) state that a management letter shall include a statement as to whether or not the district complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District was in noncompliance with Section 218.415 regarding the investment of public funds.

The Rules of Auditor General (Section 10.804(1)(d)6,7, and 8) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. There were no such matters noted.

This management letter is intended solely for the information of the District School Board, the District's management, and applicable federal and state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ch. Becht; Hallan, L.L.P.*

St. Petersburg, Florida  
March 18, 2004

## Appendix A Current Year Management Comments

### Capital Assets

#### Property Records

The capital assets additions per property records were approximately \$4.3 million greater than the capital outlay expenditures recorded in the governmental funds. The difference appeared to be a result of the initial GASB 34 entries recorded in 2002 and timing differences.

***We recommend that the capital outlay expenditures be reconciled with the detailed property records annually.***

#### Capital Assets

We noted the following regarding capital assets additions, deletions and accumulated depreciation:

- Construction in progress deletions for 2003 were less than building additions. This was a result of keying errors and other inaccuracies in an excel spreadsheet and resulted in a \$16.9 million understatement of building additions on the government-wide financial statements (GWFS).
- A \$3.1 million capital lease was recorded twice in the GWFS.
- Accumulated depreciation for buildings was overstated by \$2.7 million. Buildings that were razed and deleted from the accumulated depreciation schedule in 2002 were deleted again in 2003. This resulted in credit balances on the accumulated depreciation schedule for certain cost centers. The 2003 building deletions were not recorded. The net adjustment to correctly record buildings on the GWFS resulted in a decrease of \$3.2 million.
- Accumulated depreciation for computer software on the GWFS was overstated by \$1 million due to recording an incorrect amount that did not agree to the capital asset schedule.

***We recommend that greater care be taken when compiling the capital assets schedules and recording the change in capital assets on the GWFS. Linking and other excel spreadsheet features should be utilized to reduce the likelihood of errors. The capital asset schedules should be reviewed for accuracy and completeness prior to recording amounts in the GWFS and submission for audit.***

### Net Assets / Fund Balances

Beginning governmental fund balances did not agree to the ending fund balance of the financial statements for 2002. This was a result of not posting certain 2002 audit adjustments and posting other transactions to fund balances during the year. In addition, beginning government-wide net assets did not reconcile to the ending net assets of the 2002 audit financial statements.

***We recommend that audit adjustments be posted timely in TERMS and that no other adjustments be recorded in fund balance. Prior to preparing the AFR, the beginning fund balance and net assets should be reconciled to the prior year's financial statements.***

### **Internal Service Fund**

In 2003, the District changed from the discounted method to the gross method for recording the estimated insurance claim liability for worker's compensation, general liability and vehicle liability. This change in method was recognized as a change in accounting principle in the internal service fund.

***We recommend that this method be used consistently in the future since it is not permissible to switch back and forth between different methods without justification.***

### **Inventories**

Inventories were overstated by approximately \$900,000 as a result of recording certain department inventories twice.

***We recommend that greater care be taken to ensure that inventory is recorded accurately and reviewed.***

### **GASB 34 Conversion**

The District prepared a GASB 34 conversion spreadsheet where all the conversion entries were posted as a group rather than individually. Therefore, it was not possible to verify the accuracy of the conversion entries without preparing a detailed schedule. Numerous audit adjustments were made to correct the original conversion entries. The conversion should be made in a manner that clearly reflects the governmental fund balances per the AFR, the conversion entries to restore the previous year's government-wide balances and the current periods conversion transactions.

***We recommend that the District obtain proper training for the individuals responsible for preparation of the conversion entries. In addition, Cherry, Bekaert & Holland would be glad to discuss with the District assistance we could provide with conversion spreadsheet templates that should simplify the GASB 34 conversion process for 2004.***

We noted that the Pinellas County Education Foundation, a component unit of the District, had not adopted GASB 34.

***We recommend that the District notify the Foundation of implementation of GASB 34 for financial reporting purposes.***

### **AFR**

As a result of the numerous year-end adjustments made noted above, we also noted other errors with the Annual Financial Report (AFR) which is filed with the Department of Education.

***We recommend that the AFR be prepared with more attention to detail to ensure that the District's financial activities and changes in financial position are accurately reported. In addition, the AFR should be reviewed for accuracy and completeness prior to submission to the Department of Education.***