

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

**YEAR ENDED JUNE 30, 2004**



# DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the "District"), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pinellas County Education Foundation, Inc., Academie Da Vinci Charter School, Inc. and the Pinellas Preparatory Academy, Inc., which represent 99.81 percent and 93.36 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of 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 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.

The financial statements of The Athenian Academy, Inc. have not been audited, and we were not engaged to audit these financial statements as part of our audit of the District's basic financial statements. The financial activities of this entity are included in the District's basic financial statements as a discretely presented component unit and represent .19 percent and 6.64 percent of the assets and revenues, respectively, of the District's aggregate discretely presented component units.

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 Agency Funds on the accompanying basic financial statements. These financial activities represent 12.4 percent and 23.2 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, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2004, 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 February 15, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 11, 41 and 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the District's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2004 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ch. Becht: Haller, L.L.P.*

St. Petersburg, Florida  
February 15, 2005

## ***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 are 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 four separate legal entities in this report (a foundation, and three 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's self-insurance programs.

### **Fiduciary Funds**

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

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

**Net Assets** – Below is a summary of the District's net assets for the year ended June 30, 2004, as compared to June 30, 2003.

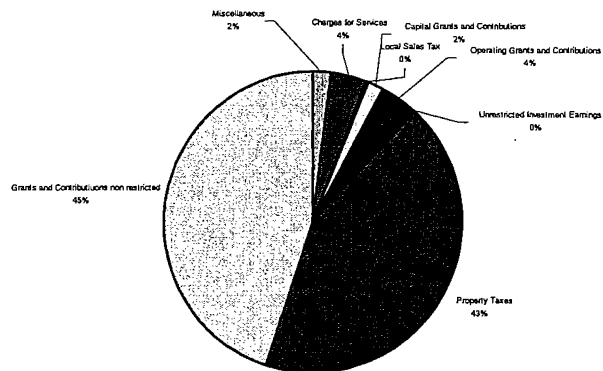
	2003	2004	Increase (Decrease)	Percentage Change
Current Assets	\$ 316,474,205	\$ 287,542,417	\$ (28,931,788)	
Net Capital Assets	1,325,519,687	1,427,443,273	101,923,586	
<b>Total Assets</b>	<b>1,641,993,892</b>	<b>1,714,985,690</b>	<b>72,991,798</b>	<b>4.45%</b>
Current Liabilities	38,370,316	40,741,146	2,370,830	
Noncurrent Liabilities	172,641,398	170,807,958	(1,833,440)	
<b>Total Liabilities</b>	<b>211,011,714</b>	<b>211,549,104</b>	<b>537,390</b>	<b>0.25%</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,278,494,186	1,382,406,265	103,912,079	
Restricted	169,665,862	149,119,517	(20,546,345)	
Unrestricted	(17,177,871)	(28,089,196)	(10,911,325)	
<b>Total Net Assets</b>	<b>\$ 1,430,982,177</b>	<b>\$ 1,503,436,586</b>	<b>\$ 72,454,409</b>	<b>5.06%</b>

The District's net assets increased 5.06% to \$1.5 billion. This was attributed to an increase in capital assets of approximately \$102 million. The District reported an unrestricted net asset deficit of \$28 million, due to the accounting methodology required by GASB-34. This represents an increase in the net asset deficit of 64% from 2003. The calculation of net assets includes the historical cost of school buildings that does not reflect the fair value. Pinellas County's schools and support buildings are in excellent condition as a result of sufficient annual funds appropriated for maintenance and repair.

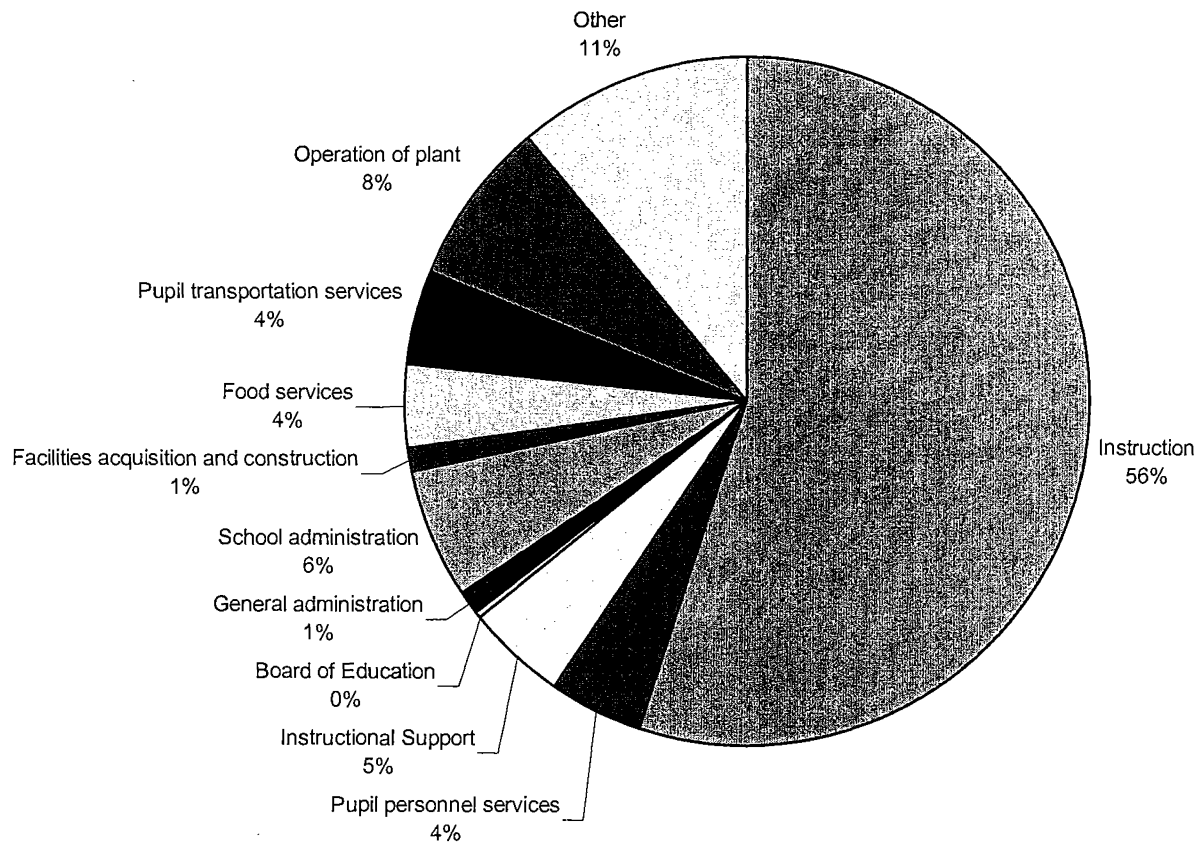
Changes in Net Assets - The table below shows the changes in net assets for 2003 and 2004.

<b>Revenue</b>	<b>2003</b>	<b>2004</b>
Program Revenues:		
Charges for services	\$ 17,543,306	\$ 19,396,085
Operating grants and contributions	35,579,096	36,243,230
Capital grants and contributions	21,268,097	27,974,143
General Revenues:		
Property taxes	371,799,258	396,534,762
Local sales tax	154,049	11,014,642
Grants and contributions not restricted to specific programs	395,723,158	422,597,477
Unrestricted Investment Earnings	5,879,669	2,614,736
Miscellaneous	11,181,504	9,277,790
<b>Total Revenue</b>	<b>859,128,137</b>	<b>925,652,865</b>
<b>Expenses</b>		
Instruction	452,111,110	470,242,038
Pupil personnel services	36,303,333	37,319,954
Instructional media services	13,035,079	12,562,412
Instruction and curriculum development services	25,119,699	28,516,371
Instructional staff training services	6,029,199	5,848,870
Board of Education	1,320,230	1,702,694
General administration	9,001,405	8,333,426
School administration	49,609,641	51,733,155
Facilities acquisition and construction	5,765,536	11,208,970
Fiscal services	2,807,962	3,899,559
Food services	34,380,997	33,527,284
Central services	16,731,275	16,463,732
Pupil transportation services	30,089,439	36,972,602
Operation of plant	60,750,298	66,586,655
Maintenance of plant	20,890,011	23,192,408
Community services	2,241,641	2,349,688
Interest on long-term debt	3,126,025	2,476,710
Loss on disposal of capital assets	18,980,226	9,781,551
Unallocated depreciation	23,786,072	30,480,377
<b>Total Expenses</b>	<b>812,079,178</b>	<b>853,198,456</b>
<b>Increase in Net Assets Before Cumulative Change in Accounting Principle</b>	<b>47,048,959</b>	<b>72,454,409</b>
Change in Accounting Principle	(4,367,124)	-
<b>Increase in Net assets</b>	<b>42,681,835</b>	<b>72,454,409</b>
Net assets, July 1, 2003	1,388,300,342	1,430,982,177
Net assets, June 30, 2004	<b>\$ 1,430,982,177</b>	<b>\$ 1,503,436,586</b>

## Revenue by Source – Governmental Activities Period Ended June 30, 2004



## Expenses by Source



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

The District completed the year with a total governmental fund balance of \$220.6 million, a decrease of \$30.8 million over the 2003 fund balance of \$251.4 million.

The General Fund had an \$11 million decrease in fund balance to \$65.1million.

The other major capital outlay funds changed as follows:

- Capital Improvement Section 236.25(2) Fund decreased \$3.7 million to \$111.2 million. This decrease is a result of expenditures incurred as a result of construction needs.
- Capital Projects – Other, whose largest portion was the Classroom's First allocation, decreased from \$31.2 million to \$19.5 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 had been collected in previous years. The decrease in fund balance resulted from expenditures incurred related to the construction of new facilities.

Other Governmental Funds also experienced a reduction of fund balance from \$29.3 million in 2003 to \$24.7 million in 2004.

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

Overall, actual General Fund revenue exceeded the final budget by \$397,352. This variance was due an increase in local revenue. Appropriations experienced a small decrease. The original budget anticipated receiving slightly less revenue than was actually realized in the final budget. Likewise, final budgeted expenditures were less than those anticipated in the original budget, due mainly to lower budgeted instructional expenditures. 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 2004, the District had invested over \$1.4 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net increase of \$100 million from 2003. More detailed information concerning capital assets can be found in Note 6 to the financial statements. Accumulated depreciation on these assets was \$455.5 million.

- Asset acquisitions totaled \$508.2 million which includes \$366.8 million increase in buildings and fixed equipment.
- Capital assets deletions were \$373.3 million, of which \$13.1 million was the result of the razing of three schools, as well as a \$348.4 million decrease in construction in progress for capital projects that were completed at fiscal year end.
- The net change to construction in progress reflected a decrease of \$241.3 million.
- The District recognized depreciation expense of \$48 million for the year.

### **Capital Assets**

	2003	2004
Not Being Depreciated		
Land	\$ 78,270,508	\$ 81,850,993
Land Improvements	18,676,304	19,364,263
Construction in Progress	354,354,764	113,023,332
Being Depreciated		
Buildings and Fixed Equipment	1,100,575,352	1,454,208,706
Furniture Fixtures and Equipment	139,291,871	153,533,287
Motor Vehicles	43,823,945	46,507,451
Audio Visual and Computer Software	9,774,590	11,366,973
Property Under Capital Lease	3,373,142	3,112,850
Total Capital Assets	1,748,140,476	1,882,967,855
Accumulated Depreciation	(422,620,789)	(455,524,582)
Total Net Capital Assets	\$ 1,325,519,687	\$ 1,427,443,273

### **Long-Term Debt**

At year-end, the District had \$170.8 million in general obligation bonds and other long-term debt outstanding – a reduction of 1.1% 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**

	2003	2004	Percentage Change
General Obligation Debt	\$ 43,860,000	\$ 42,190,000	-3.8%
Other	128,781,398	128,617,958	-0.1%
<b>Total</b>	<b>\$ 172,641,398</b>	<b>\$ 170,807,958</b>	<b>-1.1%</b>

### **Significant Economic Factors**

The District continues to endure funding challenges. In order to meet anticipated future funding needs the District has decided to seek a referendum which would allow the District to levy an additional half of a millage. The referendum will be put to a vote in the November 2005 election. If successful, it will provide additional funding for the next four years.

***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, 2004**

	<b>Primary Governmental Activities</b>	<b>Component Units</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,186,088	\$ 942,868
Investments	228,893,510	7,221,692
Accounts receivable, net	732,343	32,224
Taxes receivable	9,865,081	-
Interest receivable	659,337	-
Promises to give	-	981,379
Charitable remainder trust	-	219,490
Due from other agencies	39,244,124	-
Prepaid expenses and other	2,098,166	15,152,372
Inventories	4,863,768	-
Capital assets:		
Nondepreciable	214,238,588	-
Depreciable	1,213,204,685	294,397
<b>Total assets</b>	<b>1,714,985,690</b>	<b>24,844,422</b>
<b>Liabilities</b>		
Salaries and benefits payable	5,934,076	8,241
Payroll deductions and withholdings	11,740,614	-
Accounts payable	2,845,706	70,727
Construction contracts payable	13,331,944	-
Due to other agencies	1,266,897	-
Deferred revenue	5,621,909	-
Obligations under split interest agreements	-	221,772
Noncurrent liabilities:		
Portion due within one year:		
Liability for compensated absences	9,874,017	-
Estimated insurance claims payable	5,300,000	-
Bonds payable	1,755,000	-
Other liabilities	110,055	19,647
Obligations under capital leases	275,038	-
Portion due after one year:		
Liability for compensated absences	94,329,851	-
Estimated insurance claims payable	16,011,113	-
Bonds payable	40,435,000	-
Other liabilities	145,914	-
Obligations under capital leases	2,571,970	-
<b>Total liabilities</b>	<b>211,549,104</b>	<b>320,387</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	1,382,406,265	294,397
Restricted for:		
State categorical programs	2,294,066	-
Debt service	1,148,826	-
Capital projects	145,527,271	8,594
Endowment-nonexpendable	149,354	3,791,000
Other purposes	-	19,895,018
Unrestricted	(28,089,196)	535,026
<b>Total net assets</b>	<b>\$ 1,503,436,586</b>	<b>\$ 24,524,035</b>



**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
Statement of Activities  
For the Year Ended June 30, 2004

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	\$ 470,242,038	\$ 2,539,613	\$ -	\$ -	\$ -
Pupil personnel services	37,319,954	-	-	-	(467,702,425)
Instructional media services	12,562,412	-	-	-	(37,319,954)
Instruction and curriculum development services	28,516,371	-	-	-	(12,562,412)
Instructional staff training services	5,848,870	-	-	-	(28,516,371)
Board of Education	1,702,694	-	-	-	(5,848,870)
General administration	8,333,426	-	-	-	(1,702,694)
School administration	51,733,155	-	-	-	(8,333,426)
Facilities acquisition and construction	11,208,970	-	-	-	(51,733,155)
Fiscal services	3,899,559	-	-	12,467,841	1,258,871
Food services	33,527,284	14,637,975	18,576,917	-	(3,899,559)
Central services	16,463,732	1,472,218	-	-	(312,392)
Pupil transportation services	36,972,602	746,279	17,666,313	-	(14,991,514)
Operation of plant	66,586,655	-	-	-	(18,560,010)
Maintenance of plant	23,192,408	-	-	11,504,550	(66,586,655)
Community services	2,349,688	-	-	-	(11,887,858)
Interest on long-term debt	2,476,710	-	-	4,001,752	(2,349,688)
Loss on disposal of capital assets	9,781,551	-	-	-	1,525,042
Unallocated depreciation*	30,480,377	-	-	-	(9,781,551)
Total government activities	853,198,456	19,396,085	36,243,230	27,974,143	(30,480,377)
<b>Total primary government</b>	<b>\$ 853,198,456</b>	<b>\$ 19,396,085</b>	<b>\$ 36,243,230</b>	<b>\$ 27,974,143</b>	<b>\$ (769,594,998)</b>
<b>Component Units:</b>					
Educational foundation	\$ 3,755,412	\$ -	\$ 3,794,967	\$ -	39,555
Charter schools	1,898,889	26,127	14,513	51,090	(1,807,169)
<b>Total Component Units</b>	<b>\$ 5,654,301</b>	<b>\$ 26,127</b>	<b>\$ 3,809,480</b>	<b>\$ 51,090</b>	<b>\$ (1,767,604)</b>
<b>General revenues:</b>					
Property taxes, levied for operational purposes				300,414,570	-
Property taxes, levied for capital projects				96,120,192	-
Local sales taxes				11,014,642	-
Grants and contributions not restricted to specific programs				422,597,477	2,681,175
Unrestricted investment earnings				2,614,736	468,834
Miscellaneous				9,277,790	4,330
Permanently restricted contributions				-	377,110
Total general revenues and permanently restricted contributions				842,039,407	3,531,449
Change in net assets				72,454,409	1,763,845
Net assets - July 1, 2003				1,430,982,177	22,760,190
Net assets - June 30, 2004				\$ 1,503,436,586	\$ 24,524,035

\* 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, 2004

	General	Capital Improvement Section 236.25(2) Fund	Capital Projects- Other Fund	Other Federal Programs Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 962,586	\$ -	\$ 6,050	\$ 105,350	\$ 60,293	\$ 1,134,279
Investments	54,020,012	123,046,074	8,527,468	-	21,277,126	206,870,680
Accounts receivable, net	355,770	-	-	98,447	3,092	457,309
Taxes receivable	7,570,055	2,295,026	-	-	-	9,865,081
Charitable remainder trust	183,791	317,716	27,365	-	57,412	586,284
Due from other funds	23,859,814	411,723	1,375,897	529,567	1,201,698	27,378,699
Due from other agencies	2,723,976	50,317	24,563,652	6,879,346	5,026,833	39,244,124
Inventories	3,481,278	-	-	-	1,382,490	4,863,768
Prepaid expenses and other	2,071,507	-	-	6,217	20,442	2,098,166
<b>Total assets</b>	<b>\$ 95,228,789</b>	<b>\$ 126,120,856</b>	<b>\$ 34,500,432</b>	<b>\$ 7,618,927</b>	<b>\$ 29,029,386</b>	<b>\$ 292,498,390</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Salaries and benefits payable	\$ 5,342,073	\$ -	\$ -	\$ 592,003	\$ -	\$ 5,934,076
Payroll deductions and withholdings	11,711,150	-	-	24,333	5,131	11,740,614
Accounts payable	2,317,602	956,730	4,801	269,764	143,830	3,692,727
Construction contracts payable	11,221	7,268,805	3,149,667	123,246	2,798,849	13,351,788
Sales taxes payable	25,920	-	-	-	-	25,920
Due to other agencies	1,101,371	-	-	149,773	15,753	1,266,897
Due to other funds	9,625,149	6,646,928	6,324,265	6,456,880	1,257,233	30,310,455
Deferred revenue	324	-	5,497,434	2,928	121,223	5,621,909
<b>Total liabilities</b>	<b>\$ 30,134,810</b>	<b>\$ 14,872,463</b>	<b>\$ 14,976,167</b>	<b>\$ 7,618,927</b>	<b>\$ 4,342,019</b>	<b>\$ 71,944,386</b>
<b>Fund balances:</b>						
Reserved:						
State categorical programs	2,294,066	-	-	-	-	2,294,066
Encumbrances	8,470,268	46,620,870	12,863,267	-	8,856,313	76,810,718
Inventories	3,481,278	-	-	-	1,382,490	4,863,768
Debt service	-	-	-	-	-	-
Unreserved:						
General fund	50,848,367	-	-	-	-	50,848,367
Special revenue funds	-	-	-	-	-	-
Capital project funds	-	64,627,523	6,660,998	-	6,355,041	6,355,041
Debt Service	-	-	-	-	6,795,343	78,083,864
Permanent fund	-	-	-	-	1,148,826	1,148,826
<b>Total fund balances</b>	<b>\$ 65,093,979</b>	<b>\$ 111,248,393</b>	<b>\$ 19,524,265</b>	<b>\$ -</b>	<b>\$ 24,687,367</b>	<b>\$ 220,554,004</b>
<b>Total liabilities and fund balances</b>	<b>\$ 95,228,789</b>	<b>\$ 126,120,856</b>	<b>\$ 34,500,432</b>	<b>\$ 7,618,927</b>	<b>\$ 29,029,386</b>	<b>\$ 292,498,390</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, 2004**

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

<b>Total fund balance - Governmental Funds</b>		\$	220,554,004
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.			1,427,439,615
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.			4,939,812
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	104,203,868		
Bonds payable	42,190,000		
Other long-term liabilities	255,969		
Obligations under capital leases	<u>2,847,008</u>		<u>(149,496,845)</u>
<b>Total net assets - Governmental Activities</b>		\$	<u><u>1,503,436,586</u></u>

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	General	Capital Improvement Section 236.25(2) Fund	Capital Projects- Other Funds	Other Federal Programs Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Federal direct	\$ 239,058	\$ -	\$ -	\$ 5,656,793	\$ -	\$ 5,895,851
Federal through state	-	-	-	67,876,554	17,971,474	85,848,028
State sources	366,542,818	-	12,400,000	-	16,128,154	395,070,972
Local sources	314,033,755	97,169,817	11,076,386	3,713	15,616,897	437,900,568
Charitable remainder trust	680,815,631	97,169,817	23,476,386	73,537,060	49,716,525	924,715,419
<b>Expenditures</b>						
Current:						
Instruction	429,654,157	-	-	32,844,919	7,780	462,506,856
Pupil personnel services	31,150,627	-	-	5,929,361	-	37,079,988
Instructional media services	11,715,994	-	-	617,753	-	12,333,747
Instruction and curriculum development services	9,925,168	-	-	18,312,141	-	28,237,309
Instructional staff training services	2,339,055	-	-	2,989,099	-	5,328,154
Board	1,696,012	-	-	-	-	1,696,012
General administration	5,509,896	-	-	2,721,136	-	8,231,032
School administration	51,074,062	-	-	417,004	-	51,491,066
Facilities acquisition and construction	3,697,090	-	-	2,643	-	3,699,733
Fiscal services	3,832,758	-	-	36,288	-	3,869,046
Food services	-	-	-	-	33,071,250	33,071,250
Central services	15,455,283	-	-	412,577	-	15,867,860
Pupil transportation services	36,328,435	-	-	37,623	-	36,366,058
Operation of plant	66,169,109	-	-	152,630	-	66,321,739
Maintenance of plant	22,942,845	-	-	5,472	-	22,948,317
Community services	1,022,144	-	-	1,313,929	-	2,336,073
Capital outlay:						
Facilities acquisition and construction	262,679	95,991,778	34,851,631	-	16,937,957	148,044,045
Other capital outlay	3,713,086	-	-	7,744,485	250,980	11,708,551
Debt service:						
Principal	52,670	265,842	-	-	1,670,000	1,988,512
Interest and fees	513,400	104,511	-	-	2,372,200	2,990,111
Total expenditures	697,054,470	96,362,131	34,851,631	73,537,060	54,310,167	956,115,459
<b>Revenues in excess of (under) expenditures</b>	(16,238,639)	807,686	(11,375,245)	-	(4,593,642)	(31,400,040)
<b>Other financing sources (uses)</b>						
Loss recoveries	562,377	-	-	-	-	562,377
Transfers in	4,730,500	269,869	-	-	756,752	5,757,121
Transfers out	-	(4,730,500)	(269,869)	-	(756,752)	(5,757,121)
Total other financing sources (uses)	5,292,877	(4,460,631)	(269,869)	-	-	562,377
<b>Net change in fund balances</b>	(10,945,962)	(3,652,945)	(11,645,114)	-	(4,593,642)	(30,837,663)
<b>Fund balances - July 1, 2003</b>	76,039,941	114,901,338	31,169,379	-	29,261,164	251,371,822
Prior period adjustment	-	-	-	-	19,845	19,845
<b>Fund balances - July 1, 2003 restated</b>	76,039,941	114,901,338	31,169,379	-	29,281,009	251,391,667
<b>Fund balances - June 30, 2004</b>	\$ 65,093,979	\$ 111,248,393	\$ 19,524,265	\$ -	\$ 24,687,367	\$ 220,554,004

**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, 2004**

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

<b>Net change in fund balances - Total Governmental Funds</b>	<b>\$ (30,837,663)</b>
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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.	111,721,327
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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.	(9,781,552)
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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.	2,208,584
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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.	(1,231,357)
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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>375,070</u>
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<b>Change in net assets of Governmental Activities</b>	<b><u>\$ 72,454,409</u></b>
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**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2004**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 51,809
Investments	22,022,829
Charitable remainder trust	371,331
Interest receivable	73,053
Due from other funds	3,731,903
Total assets	<u>\$ 26,250,925</u>
 <b>Liabilities</b>	
Current Liabilities:	
Estimated insurance claims payable	\$ 5,300,000
Noncurrent Liabilities:	
Estimated insurance claims payable	<u>16,011,113</u>
Total liabilities	<u>21,311,113</u>
 <b>Net assets:</b>	
Unrestricted	<u>4,939,812</u>
Total liabilities and net assets	<u><u>\$ 26,250,925</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, 2004**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Operating revenues</b>	
Premium revenue	\$ 5,430,738
Other	184,010
Total operating revenues	<u>5,614,748</u>
<b>Operating expenses</b>	
Insurance claims	<u>5,430,789</u>
<b>Operating income</b>	<u>183,959</u>
<b>Nonoperating revenue</b>	
Interest revenue	<u>191,111</u>
<b>Change in net assets</b>	375,070
<b>Total net assets - July 1, 2003</b>	<u>4,564,742</u>
<b>Total net assets - June 30, 2004</b>	<u><u>\$ 4,939,812</u></u>

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

**Statement of Cash Flows**

**Proprietary Fund**

**Year Ended June 30, 2004**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Operating activities</b>	
Cash received from General and other funds	\$ 10,422,880
Cash payments for insurance claims	(3,648,835)
<b>Net cash provided by operating activities</b>	<b>6,774,045</b>
<b>Investing activities</b>	
Proceeds from the sale and maturities of investments	100,794,875
Interest and dividend received	191,111
Purchase of investments	(107,824,552)
<b>Net cash used in investing activities</b>	<b>(6,838,567)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(64,521)</b>
<b>Cash and cash equivalents- July 1, 2003</b>	<b>116,330</b>
<b>Cash and cash equivalents- June 30, 2004</b>	<b>\$ 51,809</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 183,959
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities	
Accounts receivable	(69,420)
Due from other funds	7,590,286
Due to other funds	(74,569)
Estimated unpaid claims	(856,211)
<b>Total adjustments</b>	<b>6,590,085</b>
<b>Net cash provided by operating activities</b>	<b>\$ 6,774,044</b>



**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**

	<u>Agency Funds</u>		
	<b>School Internal Funds (unaudited)</b>	<b>Agency Funds</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,523,613	\$ -	\$ 7,523,613
Investments	-	287,695	287,695
Charitable remainder trust	231,195	-	231,195
Due from other funds	96,297	-	96,297
<b>Total assets</b>	<u>\$ 7,851,105</u>	<u>\$ 287,695</u>	<u>\$ 8,138,800</u>
<b>Liabilities</b>			
Accounts payable	\$ 130,255	\$ 225,751	\$ 356,006
Due to other funds	885,069	11,376	896,445
Internal accounts payable	6,835,781	50,568	6,886,349
<b>Total liabilities</b>	<u>\$ 7,851,105</u>	<u>\$ 287,695</u>	<u>\$ 8,138,800</u>

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 1 - Summary Of Significant Accounting Policies**

Reporting Entity

The District School Board of Pinellas, Florida (the District) 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 and has direct responsibility for operation, control, and supervision of District schools. 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.

As required by accounting principles generally accepted in the United States, these basic financial statements present the District (the primary government) and its component units. The component units discussed below are included in the District reporting entity because of the significance of their operational or financial relationships with the District.

*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, 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.

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.

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 1 - Summary Of Significant Accounting Policies (continued)**

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, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

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

*Capital Projects* - Capital Improvement Section 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.

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 1 - Summary Of Significant Accounting Policies (continued)**

Additionally, the District reports the following fund types:

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

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.

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 1 - Summary Of Significant Accounting Policies (continued)**

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.

Each of the charter schools, included as discretely presented component units, implemented the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, concurrently with the District. The financial statements are prepared using the accrual basis of accounting.

*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 and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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 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.

*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

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 1 - Summary Of Significant Accounting Policies (continued)**

historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

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.

*State Revenue Sources* - Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department), under the provisions of Section 1011.621, 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

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 1 - Summary Of Significant Accounting Policies (continued)**

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.

The School Board adopted the 2004 tax levy on September 16, 2003. 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.

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

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

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 2 - Budgetary Compliance And Accountability**

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

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

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

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

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

**Note 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**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 3 – Investments (continued)**

	Investments			Fair Value
	Risk Category			
	1	2	3	
Obligations of U.S. Government Agencies and Instrumentalities (1)	<u>\$ 211,499,113</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 211,499,113
Investment in State Board of Administration Investment Pool				7,791,888
Money Market Mututal Funds (2)				<u>9,602,509</u>
Total Investments, Primary Government				\$ 228,893,510

Notes: (1) Includes \$66,075,063 of bonds, \$125,309,624 of Real Estate Mortgage Investment Conduit securities, and \$20,114,426 of short term government bond funds. Stated maturity dates for these securities ranged from June 2006 to April 2034.

(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.

**Note 4 - Interfund Receivables, Payables and Transfers**

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 23,859,814	\$ 9,625,149
Capital Projects:		
Capital Improvement Section 236.25(2)	411,723	6,646,928
Other	1,375,897	6,324,265
Special Revenue	529,567	6,456,879
Nonmajor Governmental Funds	1,201,698	1,257,233
Internal Service Fund	3,731,903	-
Fiduciary Funds	96,297	896,446
	<u>\$ 31,206,900</u>	<u>\$ 31,206,900</u>

Interfund balances are a result of: June 2004 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 interfund balances are expected to be repaid within one year.

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 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	\$ 4,730,500	\$ -
Capital Projects:		
Capital Improvement Section 236.25(2)	269,869	4,730,500
Other Capital Projects	-	269,869
Other Non-major Funds	756,752	756,752
	<u>\$ 5,757,121</u>	<u>\$ 5,757,121</u>

The \$4,730,500 transfer from the Capital Improvement Section 236.25(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund. The \$269,869 transfer from the Other Capital Projects Fund to the Capital Improvement Section 236.25(2) Fund was to cover capital outlay costs incurred. \$756,752 of the residual fund balance from Race Track Bonds was transferred to an appropriate capital project fund.

**Note 5 - Property Taxes**

The following is a summary of millages and taxes levied on the 2003 tax roll for the 2003-2004 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.614	\$ 278,666,209
Basic Discretionary Local Effort	0.510	25,315,242
Supplement discretionary Local Effort	0.119	5,906,890
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	2.000	99,275,458
	<u>8.243</u>	<u>\$ 409,163,799</u>

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 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	\$ 78,270,508	\$ 3,580,485	\$ -	\$ 81,850,993
Land Improvements	18,676,304	687,959	-	19,364,263
Construction in Progress	354,354,764	107,095,564	348,426,996	113,023,332
Total Capital Assets, Not Being Depreciated	451,301,576	111,364,008	348,426,996	214,238,588
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Fixed Equipment	1,100,575,352	366,808,414	13,175,060	1,454,208,706
Furniture, Fixtures and Equipment	139,291,871	22,701,011	8,459,595	153,533,287
Motor Vehicles	43,823,945	4,311,858	1,628,352	46,507,451
Property Under Capital Lease	3,373,142	-	260,292	3,112,850
Audio Visual and Computer Software	9,774,590	3,024,539	1,432,156	11,366,973
Total Capital Assets, Being Depreciated	1,296,838,900	396,845,822	24,955,455	1,668,729,267
<b>Less Accumulated Depreciation for:</b>				
Buildings and Fixed Equipment	299,192,431	28,921,393	4,598,992	323,514,832
Furniture, Fixtures and Equipment	95,473,407	14,526,583	7,719,489	102,280,501
Motor Vehicles	21,953,528	2,821,767	1,481,500	23,293,795
Property Under Capital Lease	214,208	259,404	214,208	259,404
Audio Visual and Computer Software	5,787,215	1,548,549	1,159,714	6,176,050
Total Accumulated Depreciation	422,620,789	48,077,696	15,173,903	455,524,582
<b>Total Capital Assets, Being Depreciated, Net</b>	874,218,111	348,768,126	9,781,552	1,213,204,685
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 1,325,519,687</u>	<u>\$ 460,132,134</u>	<u>\$ 358,208,548</u>	<u>\$ 1,427,443,273</u>

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

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 6 - Changes In Capital Assets (continued)**

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

Governmental Activities:	
Instruction	\$ 6,905,204
Pupil personnel services	176,524
Instructional media services	206,741
Instruction and curriculum development services	260,296
Instructional staff training	517,983
Board of Education	4,917
General administration	91,979
School administration	140,259
Facilities acquisition and construction	7,308,029
Fiscal services	23,673
Food service	456,034
Central services	519,080
Pupil transportation services	546,706
Operation of plant	202,066
Maintenance of plant	225,587
Community of services	12,241
Unallocated	30,480,377
Total depreciation expense - governmental activities	<u><u>\$ 48,077,696</u></u>

**Note 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	<u>\$ -</u>	<u>\$ 68,000,000</u>	<u>\$ 68,000,000</u>	<u>\$ -</u>
Total Government Activities	<u><u>\$ -</u></u>	<u><u>\$ 68,000,000</u></u>	<u><u>\$ 68,000,000</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**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 8 - Obligations Under Capital Leases**

\$3,112,850 of assets were acquired through capital leases for governmental activities which have an imputed interest rate of 3.43%.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	1,851,761	1,688,439	163,322
	<u>3,333,170</u>	<u>\$ 2,847,008</u>	<u>\$ 486,162</u>

**Note 9 – Bonds Payable**

Bonds payable at June 30, 2004, were as follows:

	<u>Amount</u>	<u>Interest Rates</u>	<u>Maturity</u>
State School Bonds:			
Series 2000-A	\$ 41,475,000	4.625-6%	2020
Series 2001-A	715,000	4.10-5.25%	2021
Total Bonds Payable	<u>\$ 42,190,000</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**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 9 - Bonds Payable (continued)**

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

	Total	Principal	Interest
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>\$ 64,770,813</u>	<u>\$ 42,190,000</u>	<u>\$ 22,580,813</u>

**Note 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	\$ 102,972,511	\$ 10,259,684	\$ 9,028,327	\$ 104,203,868	\$ 9,874,017
Estimated insurance claims payable	22,167,324	3,648,835	4,505,046	21,311,113	5,300,000
Bonds payable	43,860,000	-	1,670,000	42,190,000	1,755,000
Other	476,042	-	220,073	255,969	110,055
Obligations under capital leases	3,165,521	-	318,513	2,847,008	275,038
Total	<u>\$ 172,641,398</u>	<u>\$ 13,908,519</u>	<u>\$ 15,741,959</u>	<u>\$ 170,807,958</u>	<u>\$ 17,314,111</u>

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

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 11 - Reserve For Encumbrances**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2004-05 fiscal year budget as a result of purchase orders outstanding at June 30, 2004

**Note 12 - Schedule of State Revenue Sources**

The District's State revenue for the year ended June 30, 2004 follows:

Florida Education Finance Program	\$ 266,811,872
Categorical Educational Program:	
Instructional materials	9,289,674
Student transportation	17,666,313
Excellent teacher	1,825,135
Public school technology	2,183,693
Teacher Training	1,584,593
Workforce development program	25,596,683
Class Size Reduction	20,864,777
Classrooms for Kids	12,400,000
Gross receipts tax (Public Education Capital Outlay)	10,776,127
Florida school recognition program	6,449,313
District discretionary lottery funds	5,605,062
Motor vehicle license tax (Capital outlay and Debt Service)	4,574,766
Medicaid	3,018,224
Mobile home license tax	745,427
Adults with disabilities	741,823
Florida teachers lead program	714,955
Food service supplement	605,444
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	165,801
Pre-K early intervention	19,406
Miscellaneous	3,208,634
	<hr/>
	\$ 395,070,972

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

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 13 - State Retirement Program**

Plan Description. All regular employees of the District are covered by the Florida Retirement System, a State administered cost-sharing multiple-employer defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at 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 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 2003-04 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System:		
Regular	0.00	7.39
County Elected Officers	0.00	15.23
Senior Management Service Class	0.00	9.37
Special Risk	0.00	18.53
Re-employed Retiree	0.00	7.39
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 0.10% administrative educational fee.

The District's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan (including employee contributions) for the fiscal years ending June 30, 2002,



**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 13 - State Retirement Program (continued)**

2003, and 2004 totaled \$36,046,266, \$29,585,239 and \$37,942,133 respectively, which were equal to the required contributions for each fiscal year.

*Pension Reporting* - The financial statements and required supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida State Comptroller's Office 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.

**Note 14 - Tax Deferral Plans And Other Benefits**

The District allows employees to participate in a 401(a) qualified retirement plan. Participation is required for employees that are retiring, terminating or entering DROP and have accumulated at least \$2,500 of eligible terminal leave benefits. Contributions to the plan are made on a pre-tax basis. The maximum plan contribution cannot exceed 100% of plan year compensation or \$40,000, whichever is less. Federal income taxes on plan contributions are deferred until distributions are taken. Employee contributions to the plan were \$8,837,220 for the period ended June 30, 2004.

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 the District 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, 2004 was \$70,381,067.

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 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
Bayside High School:			
General Contractor	\$ 12,346,737	\$ 10,504,426	\$ 1,842,311
Architect	977,951	963,669	14,282
CEP Facility:			
General Contractor	1,096,879	-	1,096,879
Eisenhower Elementary:			
General Contractor	7,307,378	5,876,399	1,430,978
Architect	502,609	502,609	-
Gibbs High School:			
General Contractor	39,411,890	29,357,471	10,054,420
Architect	2,607,089	2,349,103	257,986
Lealman Intermediate:			
General Contractor	1,301,627	-	1,301,627
Architect	592,270	151,125	441,145
Oak Grove Middle School:			
General Contractor	9,305,114	5,842,098	3,463,016
Architect	941,595	746,391	195,204
Safety Harbor Middle School:			
General Contractor	19,512,162	13,418,168	6,093,995
Architect	792,643	706,757	85,886
Shore Acres Elementary School:			
General Contractor	11,111,277	10,461,398	649,878
Architect	742,770	688,027	54,743
Starkey Elementary:			
General Contractor	7,134,957	6,010,755	1,124,202
Architect	597,181	551,934	45,247
Tarpon Bus Compound:			
General Contractor	2,598,603	1,365,322	1,233,281
Architect	-	-	-
Tarpon Fundamental:			
General Contractor	4,113,520	3,240,027	873,493
Architect	355,701	318,269	37,432
Total	<u>\$ 123,349,953</u>	<u>\$ 93,053,948</u>	<u>\$ 30,296,005</u>

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 16 - Risk Management Programs**

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

Pinellas County Schools has a self-funded insurance program which covers property claims up to \$100,000, workers' compensation claims up to \$350,000, 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, 2004, a liability of \$21,311,113 was recorded for estimated insurance claims payable for claims incurred but not reported for worker's compensation, general liability and vehicle liability. The estimated insurance claims payable was recorded using the gross method which was actuarially determined.

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

		Additions		Claims Payments	End of Year
	Beginning of Year	Claims and Changes in Estimates	Change in Accounting Principle		
2003	\$ 16,227,721	\$ 6,858,470	\$ 4,367,124	\$ (5,285,991)	\$ 22,167,324
2004	22,167,324	3,648,835	-	(4,505,046)	21,311,113

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.

**Note 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 and are covered by insurance policies or the District's self insurance program. 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.

**District School Board of Pinellas County**  
**Notes to Financial Statements**  
**Year Ended June 30, 2004**

**Note 18 – Prior Period Adjustments**

Prior period adjustments were made to correct the beginning fund balance of other governmental funds. The adjustments consisted of a correction to the prior year's retainage payable of the P.E.C.O. fund with a corresponding increase in fund balance and a \$1,179 decrease in the permanent fund's balance to correct the prior year's unamortized bond premium.

## **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, 2004**

	<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	\$ 239,058	\$ 239,058	\$ -
Federal through state	4,400,000	3,018,224	-	(3,018,224)
State sources	365,689,205	363,524,595	366,542,818	3,018,223
Local sources	306,488,166	313,636,402	314,033,755	397,353
Charitable remainder trust	676,762,371	680,418,279	680,815,631	397,352
<b>Expenditures</b>				
Current:				
Instruction	445,570,327	429,224,083	429,654,157	(430,074)
Pupil personnel services	29,706,156	31,150,627	31,150,627	-
Instructional media services	11,588,170	11,715,994	11,715,994	-
Instruction and curriculum development services	11,265,305	9,925,168	9,925,168	-
Instructional staff training services	3,873,830	2,339,055	2,339,055	-
Board of Education	1,359,574	1,696,012	1,696,012	-
General administration	5,717,874	5,509,896	5,509,896	-
School administration	49,757,562	51,074,062	51,074,062	-
Facilities acquisition and construction	5,302,074	3,697,090	3,697,090	-
Fiscal services	5,881,571	3,832,758	3,832,758	-
Central services	16,528,141	15,507,953	15,455,283	52,670
Pupil transportation services	33,974,071	36,328,435	36,328,435	-
Operation of plant	66,867,052	66,169,109	66,169,109	-
Maintenance of plant	19,447,709	22,942,845	22,942,845	-
Community services	1,563,004	1,022,144	1,022,144	-
Capital outlay:				
Facilities acquisition and construction	262,679	262,679	262,679	-
Other capital outlay	3,713,086	3,713,086	3,713,086	-
Debt service:				
Principal	-	513,400	52,670	460,730
Interest and fees	-	-	513,400	(513,400)
Total expenditures	712,378,185	696,624,396	697,054,470	(430,074)
<b>Deficiency of revenues over expenditures</b>	<b>(35,615,814)</b>	<b>(16,206,117)</b>	<b>(16,238,839)</b>	<b>(32,722)</b>
<b>Other financing sources</b>				
Loss recoveries	-	562,377	562,377	-
Transfers in	7,400,000	4,730,500	4,730,500	-
Total other financing sources	7,400,000	5,292,877	5,292,877	-
<b>Net change in fund balances</b>	<b>(28,215,814)</b>	<b>(10,913,240)</b>	<b>(10,945,962)</b>	<b>(32,722)</b>
<b>Fund balances - July 1, 2003</b>	<b>76,039,941</b>	<b>76,039,941</b>	<b>76,039,941</b>	<b>-</b>
<b>Fund balances - June 30, 2004</b>	<b>\$ 47,824,127</b>	<b>\$ 65,126,701</b>	<b>\$ 65,093,979</b>	<b>\$ (32,722)</b>

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Other Federal Programs**  
**For the Year Ended June 30, 2004**

	<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	\$ 7,447,789	\$ 9,447,830	\$ 5,656,793	\$ (3,791,037)
Federal through state	52,175,364	84,546,691	67,876,554	(16,670,137)
Local sources	-	-	3,712	3,712
Total revenues	59,623,153	93,994,521	73,537,059	(20,457,462)
Charitable remainder trust				
<b>Expenditures</b>				
Current:				
Instruction	37,653,004	50,182,436	32,844,919	17,337,517
Pupil personnel services	1,341,434	6,479,729	5,929,361	550,368
Instructional media services	226,588	676,913	617,753	59,160
Instruction and curriculum development services	9,435,733	21,984,120	18,312,141	3,671,979
Instructional staff training services	6,371,616	5,112,156	2,989,099	2,123,057
General administration	3,112,927	3,554,332	2,721,136	833,196
School administration	113,895	542,458	417,004	125,454
Facilities acquisition and construction	340,220	2,870,644	2,643	2,868,001
Fiscal services	-	40,193	36,288	3,905
Central services	203,729	506,371	412,577	93,794
Pupil transportation services	21,051	58,568	37,623	20,945
Operation of plant	97,273	313,816	152,630	161,186
Maintenance of plant	7,873	9,017	5,472	3,545
Community services	697,810	1,663,768	1,313,928	349,840
Capital outlay:				
Other capital outlay	-	-	7,744,485	(7,744,485)
Total expenditures	59,623,153	93,994,521	73,537,059	20,457,462
<b>Deficiency of revenues over expenditures</b>	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balances - July 1, 2003</b>	-	-	-	-
<b>Fund balances - June 30, 2004</b>	\$ -	\$ -	\$ -	\$ -

## **OTHER SUPPLEMENTARY INFORMATION-**



**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2004**

<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	\$ 1,242,146	\$ -
Florida Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	300	13,390,635	-
Summer Food Service Program for Children	10.559	323	26,981	-
School Breakfast Program	10.553	321	3,039,518	-
Total Child Nutrition Cluster			16,457,134	-
<b>Total U. S. Department of Agriculture</b>			17,699,280	-
<b>U.S. Department of Labor</b>				
Pinellas Workforce Development Board and Career Options of Pinellas, Inc. - Aspire	17.250	5902	191,148	-
<b>Department of Homeland Security</b>				
Cuban and Haitian Entrant Resettlement Program	16.201	N/A	973,507	-
<b>U. S. Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A	586,669	-
Federal Work Study Program	84.033	N/A	19,539	-
Total Student Financial Assistance Cluster			606,208	-
Impact Aid	84.041	N/A	32,539	-
Magnet Schools Assistance	84.165	N/A	2,058,752	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	438,347	-
Fund for the Improvement of Education	84.215	N/A	2,790,803	-
Transition to Teaching	84.350	N/A	185,878	-
Foreign Language Incentive Program	84.294	N/A	21,269	-
<b>Total Direct Federal Awards</b>			6,133,796	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262	24,743,186	-
Special Education - Preschool Grants	84.173	2660	1,274,255	-
Total Special Education Cluster			26,017,441	-
Adult Education State Grant Program	84.002	191	561,875	-
Title I Grants to Local Educational Agencies	84.010	212	20,421,225	-
Vocational Education - Basic Grants to States	84.048	151	2,089,734	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	1073	54,512	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	729,179	-
Education for Homeless Children and Youth	84.196	127	85,657	-
Even Start - State Educational Agencies	84.213	219	305,420	-
Charter Schools	84.282	298	280,162	280,162
State Grants for Innovative Programs	84.298	113	698,977	-
Education Technology State Grants	84.318	121	593,872	-
Comprehensive School Reform Demonstration	84.332	1280	416,492	-

**DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2004**

<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>
Title I School Improvement	P.L. 107-110	226	67,478	-
School Renovation IDEA Technology	84.352	145	3,498,323	-
Reading First State Grants	84.357	2133	4,927,001	-
English Language Acquisition Grants	84.365	1023	439,581	-
Improving Teacher Quality State Grants	84.367	2243	4,958,165	-
Center for Disease Control and Prevention	93.283		103,962	-
<b>Total Indirect Federal Awards</b>			<u>40,231,615</u>	<u>280,162</u>
<b>Total U. S. Department of Education</b>			<u>72,382,852</u>	<u>280,162</u>
<b>U.S. Department of Health and Human Services</b>				
Indirect:				
Florida Department of Children and Families				
Refugee and Entrant Assistance	93.566	N/A	5,504	-
Child Care and Development Block Grant	93.575	N/A	251,344	-
			<u>256,848</u>	<u>-</u>
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education				
Learn and Serve America - School and Community Based Programs	94.004	2343	22,090	-
<b>U. S. Department of Defense:</b>				
Direct:				
Troops to Teachers	None	N/A	26	-
JROTC				
Army Junior Reserve Officers Training Corps	None	N/A	123,662	-
Navy Junior Reserve Office Training Corps	None	N/A	34,807	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	48,025	-
<b>Total U. S. Department of Defense</b>			<u>206,520</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 91,732,245</b></u>	<u><b>\$ 280,162</b></u>

**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 have 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 Donation**

Represents the amount of donated food consumed during the fiscal year. Commodities were valued at fair value at the time of donation.

## **COMPLIANCE AND SINGLE AUDIT**



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

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

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the "District") as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statement, and have issued our report thereon dated February 15, 2005. We did not audit the financial statements of the discretely presented component units or the school internal accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

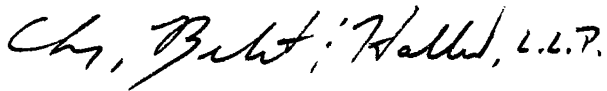
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 internal control over financial reporting that we have reported to management of the District in a separate letter dated February 15, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District School Board, applicable 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.

A handwritten signature in black ink, appearing to read "Ch. Burt; Hall, L.L.P.".

St. Petersburg, Florida  
February 15, 2005



**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, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

## 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. 04-01 to 04-05).

A material weakness is a reportable 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 caused by error or fraud 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 for the information of the District School Board, applicable 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.

*Ch. Burt Hall, L.L.P.*

St. Petersburg, Florida  
February 15, 2005

**District School Board of Pinellas County, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part I - Summary of Audit Results**

1. The auditors' report on the governmental activities, each major fund, and the aggregate discretely presented component units expresses unqualified opinions. Due to the exclusion of the school internal accounts from the scope of the audit, we have expressed a qualified opinion on the aggregate remaining fund information.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. Reportable conditions in internal control over a major program were reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, 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>
U.S. Department of Education:	
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Student Financial Assistance Cluster:	
Work Study Program	84.033
Pell Grant Program	84.063
Title I – Grants to Local Educational Agencies	84.010
Fund for the Improvement of Education	84.215
School Renovation IDEA Technology	84.352
Reading First State Grants	84.357

7. The threshold used to distinguish a Types A and B program was \$2,751,967.
8. The District was determined not 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, 2004**

**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: 04-01**

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 reconciliations 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 prior years - see Summary Schedule of Prior Auditing Findings, Finding No. 01-01 and 03-01.

**Finding: 04-02**

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 one of the twelve students tested that withdrew from the PTEC's were not notified timely of their post-withdrawal disbursement.

Recommendation: We recommend that 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, 02-12 and 03-02.

**Finding: 04-03**

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.

**District School Board of Pinellas County, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

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 prior years – see Summary Schedule of Prior Auditing Findings, Finding No. 02-07 and 03-04.

**Finding: 04-04**

Internal Control

**Criteria:** In accordance with OMB Circular A-133, the District is responsible for establishing and maintaining effective internal controls for administering federal awards.

**Statement of Condition:** The "2003-2004 Pell Grant Worksheet" (a PTEC internal worksheet) includes a section for eligibility verification that includes the date verified and the initials of the individual that performed the verification. Four of the eleven worksheets tested did not include the initials of the individual that performed the verification.

**Recommendation:** We recommend that greater care be taken to ensure the worksheet is completed appropriately to reflect that the internal control procedure for verifying eligibility has been appropriately documented.

**Finding: 04-05**

Other Matters

**Criteria:** The District is responsible for requesting reimbursement of fund disbursed to student from the U.S. Department of Education.

**Statement of Condition:** The District did not request reimbursement of funds disbursed to students attending the PTEC located in St. Petersburg during the period ended June 30, 2004 until October 2004.

**Recommendation:** We recommend that the District submit reimbursement requests each quarter to ensure that Pell funding is received timely.



**ADMINISTRATION BUILDING**

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

February 24, 2005

**School Board of  
Pinellas County,  
Florida**

Chairman  
Nancy N. Bostock

Vice Chairman  
Carol J. Cook

Mary L. Tyus Brown  
Janet R. Clark  
Jane Gallucci  
Linda S. Lerner  
Mary L. Russell

Superintendent  
Clayton M. Wilcox, Ed.D.

Cherry Bekaert & Holland, L.L.P.  
111 Second Avenue NE, Suite 1200  
St. Petersburg, FL 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, 2004.

**U.S. Department of Education**

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

**04-01 Cash receipts and disbursements**

**Cash Receipts and Disbursements reconciliation not performed.**

The district's consultant FAME completed a reconciliation of the 2003-2004 award year and the district will implement procedures to reconcile on a periodic basis.

**04-02 Special Test and Provisions**

**One of Twelve students tested were not timely notified of their post-withdrawal disbursement.**

The district has implemented procedures to ensure timely notification of post withdrawal disbursements.

**04-03 Special Tests and Provisions**

**The District had not performed 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.**

The district has implemented procedures to perform a reconciliation on a monthly and annual basis.

**04-04 Internal Control**

**Pell Grant Worksheet did not contain the initials of the individual who performed the eligibility verification.**

PTEC center has implemented internal control procedures to ensure eligibility verification.

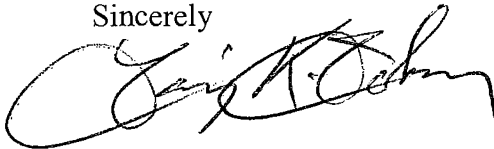
**04-05 Other Matters**

**District did not timely request reimbursement funds for the 2003-2004.**

The district will implement internal control procedures to ensure timely reimbursement requests.

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

Sincerely



Lansing K. Johansen  
Chief Business Officer

cc: Clayton M. Wilcox, Ed. D., Superintendent, Pinellas County Schools  
Fred Matz, Assistant Superintendent, Finance and Business Services  
Kevin Smith CPA, Director of Accounting

**District School Board of Pinellas County, Florida**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2004**

<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	District's consultant FAME completed a reconciliation for 2003-2004 award year. District will implement procedures to reconcile on a periodic basis.
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.	Partially Incomplete	District has implement procedures to ensure timely notification of post withdrawal disbursements.
June 30, 2002 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.	Complete	No instances of non-compliance found.
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.	Complete	No instances of non-compliance found.
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	District has implemented procedures to perform a reconciliation on a monthly and annual basis.
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.	Complete	No instances of non-compliance found.
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.	Partially Incomplete	District has implement procedures to ensure timely notification of post withdrawal disbursements.
June 30, 2003 03-01	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Cash Receipts and Disbursements	A reconciliation of financial aid cash receipts and disbursements was not performed during the fiscal year between the PTECs and the Grant Administration and Payment System (GAPS).	Incomplete	District's consultant FAME completed a reconciliation for 2003-2004 award year. District will implement procedures to reconcile on a periodic basis.
03-02	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	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.	Partially Incomplete	District has implement procedures to ensure timely notification of post withdrawal disbursements.
03-03	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	Student files did not contain notification letter. We were unable to determine if students were notified timely by the District.	Complete	No instances of non-compliance found.
03-04	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	The District had not performed a reconciliation between the District's financial assistance accounting records maintained at the District office and the those maintained at the PTEC's. In addition, a reconciliation should be performed between the District and the cost reimbursement requests.	Incomplete	District has implemented procedures to perform a reconciliation on a monthly and annual basis.

**District School Board of Pinellas County, Florida  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2004**

<b>Audit Report No. and Federal Awards Finding No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
03-05	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Special Tests and Provisions	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.	Complete	No instances of non-compliance found.
03-06	Student Financial Assistance Cluster (CFDA 84.007, 84.033, and 84.063) - Federal Program Reviews	The District did not engage the agreed upon consultant until after June 30, 2003.	Complete	The District has engaged FAME as their consultant and third-party administrator.

## OTHER INFORMATION

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## **Independent Auditors' Management Letter**

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

We have audited the financial statements of the District School Board of Pinellas County, Florida (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated February 15, 2005. 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 the foundation, reported as discretely presented component units, or the school internal funds. The financial statements of the charter schools, with the exception of The Athenian Academy, Inc., were audited by other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting based on the audit of the financial statements performed in accordance with *Government Auditing Standards* dated February 15, 2005, and it 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(d)1.) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such matters reported in the preceding annual financial audit.

As required by the Rules of the Auditor General (Section 10.804(d)2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District met any of the specified conditions of a financial emergency contained in Section 218.503(1). In connection with our audit of the District, the results of our tests did not indicate that the District is in a state of financial emergency as a consequence of the



conditions in Section 218.503(1), Florida Statutes, However, our audit does not provide a legal determination on the County's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(d)3.) requires disclosure of any recommendations to improve the District 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)4.) states 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. However, our audit was not directed toward obtaining knowledge regarding the District's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(d)5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (b) improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements; (c) deficiencies in internal control that are not reportable conditions. See Appendix A to this document for our comments and recommendations.

We wish to thank the District's finance and accounting personnel and others involved in the conduct of the audit for their courtesy and cooperation.

This report is intended for the information of the School Board, the District's management, specific legislative or regulatory bodies, 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.

*Ch. B. H. Hall, L.L.P.*

St. Petersburg, Florida  
February 15, 2005

**Appendix A**  
**Current Year Management Letter Comments**  
**June 30, 2004**

**Capital Assets**

Property Records

The capital assets additions per property records were approximately \$3.1 million less than the capital outlay expenditures recorded in the governmental funds. In addition, there was no reconciliation performed to verify that that amounts recorded in property records agree to TERMS.

We also noted that property records recorded a laptop computer at a cost that was \$30,000 more than the actual cost as a result of a keying error. In addition, it appears there are no internal controls to ensure that controls totals for keying capital asset additions are accurate.

***We recommend that the capital outlay expenditures be reconciled with the detailed property records annually. Internal controls should be established to ensure that controls totals for keying capital asset additions are verified timely.***

Capital Assets

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

- \$223 million of construction costs were classified as construction in progress at fiscal year end for construction projects that had been completed at fiscal year. As a result, depreciation expense on the statement of activities was understated by \$4.4 million.
- There was a \$2.1 million understatement of the total costs expended for a certain "maintenance purchase order" that should have been recorded as construction in progress. We also noted that the schedules of open construction and maintenance purchase orders that were used to determine expenditures that remain in construction in progress at fiscal year were not reviewed for accuracy and completeness.
- The excel spreadsheet that was used to calculate building depreciation had incorrect formulas that resulted in depreciation expense being calculated incorrectly.
- The schedule of changes in construction in progress had certain projects that had expenditures for construction in progress at fiscal year end that resulted in a negative balances totaling \$1.3 million which reduced construction in progress additions.

***We recommend that the construction projects that have been completed at fiscal year end be determined based on certification from project architect that construction has been substantially complete. Greater care should be taken when compiling the capital assets schedules, recording the change in capital assets and accumulated depreciation in the District-wide financial statements. Linking and other excel spreadsheet features should be utilized to reduce the likelihood of errors. Another alternative would be to consider purchasing depreciation software. The capital asset***

***schedules should be reviewed for accuracy and completeness prior to recording amounts in the District-wide financial statement and submission for audit.***

#### **AFR / GASB 34 Conversion**

There were sixteen adjustments to correctly classify certain account balances to the appropriate line on the District-wide financial statements.

***We recommend that the Statement of Net Assets and Statement of Activities of the AFR be prepared with more attention to detail to ensure that the District-wide financial statements are accurately reported. In addition, the AFR should be reviewed for accuracy and completeness prior to submission to the Department of Education. This recommendation was also made in FY03.***

#### **Component Unit**

We noted that the Pinellas County Education Foundation, a component unit of the District, had not adopted GASB 34 for the year ended June 30, 2004.

***We recommend that the District notify the Foundation of implementation of GASB 34 for financial reporting purposes. This recommendation was also made in FY03.***