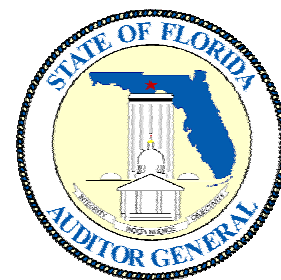




AUDITOR GENERAL
WILLIAM O. MONROE, CPA



INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD

A Financial, Operational, and Federal Single Audit Report

For the Fiscal Year Ended June 30, 2003

Indian River County District School Board members and the Superintendent of Schools who served during the 2002-03 fiscal year are shown in the following tabulation:

	<i>District</i>
	<u>No.</u>
<i>Dorothy Talbert to 11-18-02</i>	<i>1</i>
<i>William D. Hughes from 11-19-02</i>	<i>1</i>
<i>Steve Mohler, Chair</i>	<i>2</i>
<i>Dr. R. Craig McGarvey</i>	<i>3</i>
<i>Herbert L. Bailey, Vice-Chair to 11-18-02</i>	<i>4</i>
<i>Kathryn A. Wilson, Vice-Chair from 11-19-02</i>	<i>5</i>

Dr. J. Roger Dearing, Superintendent

AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

INDIAN RIVER COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
FINDINGS AND RECOMMENDATIONS.....	1
FINANCIAL SECTION	4
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	5
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	8
BASIC FINANCIAL STATEMENTS	15
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	50
FEDERAL REPORTS AND SCHEDULES	52

EXECUTIVE SUMMARY

Summary of Audit Findings

Finding 1: Annual Facility Safety Inspections

The District had not corrected several fire and life safety deficiencies cited in prior year inspection reports, separate reports for relocatable classrooms were not prepared and posted, and procedures were not in place to estimate costs and prioritize the deficiencies noted in the inspection reports. Failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy, and could result in additional costs in the future due to further deterioration.

Finding 2: Tangible Personal Property

The District did not complete and reconcile the annual physical inventory of property in a timely manner for two of the District's cost centers for the 2002-03 fiscal year. Section 274.02, Florida Statutes, and Section 10.480, Rules of the Auditor General, require that tangible personal property be inventoried annually, that the inventory be compared with the property records, and that discrepancies be reconciled.

Finding 3: Self-Insurance Claims Testing

The District did not request or review any of the claims supporting documents for payments made to its self-insured health plan's third-party administrator (TPA) to ensure charges were supported by valid claims of the District, nor did the District request or obtain from its TPA a service organization report as required by Statements on Auditing Standards No. 70. A review of the underlying claims support by the District would help to ensure that payments to the TPA are valid expenses of the District.

Summary of Report on Financial Statements

The Indian River County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2003, in accordance with prescribed financial reporting standards. Club and class activity funds of the individual schools were not included within the scope of our audit.

Summary of Report on Compliance and Internal Control

The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grants. The District has established and implemented procedures that generally provide for internal control of District operations. However, we did note compliance and internal control findings that are summarized in the Summary of Audit Findings.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Migrant Education, and Improving Teacher Quality State Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Scope and Objectives

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2003. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grants.

Our audit objectives were to determine whether the Indian River County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control to provide reasonable assurance of proper authorization of financial transactions, to provide for the proper recording and reporting of the District's financial operations, to adequately safeguard the District's assets, and to promote and encourage economic and efficient operations and compliance with various provisions of laws, administrative rules, regulations, contracts, and grants;
- Complied with the various provisions of laws, administrative rules, regulations, contracts, and grants governing the conduct of its public affairs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in audit report No. 03-150.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.

This audit was conducted by Mark Smith, CPA, and supervised by Ida Marie Westbrook, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850)487-9039.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Annual Facility Safety Inspections

Our review of the District's comprehensive fire, life safety, and sanitation inspection reports for the 2002-03 fiscal year for the District's 21 schools and various ancillary plant facilities disclosed that the District had not corrected several fire and life safety deficiencies cited in prior year reports. While the District did correct many deficiencies, some deficiencies remained, including blocked means of egress, evacuation route signage missing or displayed incorrectly, emergency lighting not functioning, and extension cords being used as permanent wiring. Additionally, separate inspection reports were not prepared for the District's relocatable classrooms to allow for posting of such reports in each relocatable classroom per section 5(2)(a)(1) of the *State Requirements for Educational Facilities*. Finally, no specific procedures existed for developing estimates of cost and prioritization for the correction of fire and life safety deficiencies identified in the inspection reports.

Section 1013.12, Florida Statutes, requires that each district school board provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the rules of the Commissioner of Education. Further, firesafety inspections are required to be made annually by persons certified by the Division of State Fire Marshal to be eligible to conduct firesafety inspections in public educational and ancillary plants. Failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy, and could result in additional costs in the future due to further deterioration.

Recommendation: We recommend that the Board continue its efforts to provide for the timely correction of facility fire and life safety deficiencies as noted in the annual inspection reports, prepare separate reports for each relocatable classroom to allow for posting in each relocatable classroom, and include estimated costs and prioritization of the deficiencies for correction.

District Response:

Comment noted. The district's maintenance department has initiated the following action plan to rectify the existing fire/safety issues noted in the annual inspection reports by the end of the 2003-2004 fiscal year:

- 1. An inspection schedule was sent to all site administrators on January 23, 2004. This was accompanied by an e-mail from the Superintendent urging that all inspection violations found during the 2003-2004 inspections be resolved immediately. All principals and directors were instructed to walk with the inspectors during their visits.*
- 2. The maintenance department will begin estimating costs for each line item at the time the inspection report is finalized. Inspection software will be purchased to aid in accurate inspecting, reporting and following-up.*
- 3. The personnel involved in district inspections were made aware that a separate inspection report is required for each portable classroom and that the report be posted in each portable.*

Finding No. 2: Tangible Personal Property

The District should improve its internal controls over tangible personal property (property). We noted the District did not complete and reconcile the annual physical inventory of property in a timely manner for two of the District's cost centers during the 2002-03 fiscal year. The property for these two cost centers had a total cost

of \$5,307,493.92, or 23.55 percent of the total cost recorded in the District's property account. Vero Beach High School's inventory was received 78 calendar days after the fiscal year ended and noted 105 items totaling \$206,662.71 as not found. Sebastian River High School's inventory was received 99 calendar days after the fiscal year ended and listed 65 items totaling \$88,312.97 as not found. Section 274.02, Florida Statutes, and Section 10.480, Rules of the Auditor General, require that property be inventoried annually, that the inventory be compared with the property records, and that discrepancies be reconciled.

Recommendation: We recommend District personnel strengthen procedures to provide for a complete annual inventory of all tangible personal property and follow-up for items not located to allow for the timely update of property records.

District Response:

Comment noted. The district's property records department initiated the following action plan to rectify the issue of inventory control at both high schools, as follows:

- 1. The time frame for the high schools to complete their inventories has been extended from two to three weeks.*
- 2. The function of surplus removal at all schools is now the responsibility of the property records department; it was the function of the maintenance department in prior years. Combining these functions to one department assures tighter controls on surplus removal and offers a second review process when removing surplus item(s) from schools and departments.*
- 3. An exit conference will be scheduled with each school after the completion of the inventory process to review any missing item(s).*

Finding No. 3: Self-Insurance Claims Testing

Improvements were needed in internal control procedures over the District's new self-insurance plan. On July 1, 2002, the District entered into an agreement to provide self-insurance for its health plan to District employees and retirees, as permitted by Section 112.08(2)(a), Florida Statutes. Blue Cross Blue Shield of Florida (BCBS) was contracted to serve as the District's third-party administrator. All claims were processed and documentation was retained by BCBS. Total payments to BCBS for these claims for the 2002-03 fiscal year totaled \$6,240,829.41. The District did not request or review any of the claim's supporting documents for the payments made to BCBS to ensure charges were supported by valid claims of approved participants, nor did the District request or obtain from their third-party administrator a service organization report as described in Statement on Auditing Standards No. 70 (SAS 70). A SAS 70 (service organization) report is a report on the suitability of policies and procedures placed in operation to achieve specified control objectives and tests of operating effectiveness for a service organization. A review of the underlying claims support by District personnel would help to ensure that payments to BCBS are for valid health claims of the District.

Recommendation: We recommend that District personnel establish procedures to periodically inspect claims files maintained by BCBS on at least a test basis to ensure the validity of District charges. Additionally, we recommend the District request a service organization report covering the operating effectiveness of BCBS's internal controls over the processing of claims payments.

District Response:

Comment noted. The district's risk management department will initiate the following action plan to rectify the issue of Self-Insurance Claims testing, as follows:

- 1. The Employee Benefits Specialist and the Director of Risk Management have been conducting audits on claims and charges in response to inquiries by plan participants. Beginning immediately, these will be formally documented on a periodic basis.*
- 2. Our health insurance consultant, AON Consulting, will conduct a formal random case audit on a quarterly basis.*
- 3. A copy of the annual SAS 70 report will be requested from Blue Cross/ Blue Shield.*

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in audit report No. 03-150.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

EXHIBIT – D *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

EXHIBIT – E *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

EXHIBIT – F *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

EXHIBIT – G *Statement of Net Assets – Proprietary Fund.*

EXHIBIT – H *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.*

EXHIBIT – I *Statement of Cash Flows – Proprietary Fund.*

EXHIBIT – J *Statement of Fiduciary Net Assets – Fiduciary Funds.*

EXHIBIT – K *Statement of Changes in Fiduciary Net Assets – Fiduciary Fund.*

EXHIBIT – L *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT – M *Budgetary Comparison Schedule – General and Major Special Revenue Funds.*



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board as of and for the fiscal year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed on page 4. 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 aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, the District is required to otherwise provide for audits of the school and 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 8 percent and 38 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 financial position of the aggregate remaining fund information of the Indian River County District School Board as of June 30, 2003, and the changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Indian River County District School Board as of June 30, 2003, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Indian River County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants included under the heading ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (pages 8 through 14) and the Budgetary Comparison Schedule (shown as exhibit M) 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 consisted 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 thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required

part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

January 16, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the Indian River County District School Board 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) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 15 through 48.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2002-03 fiscal year are as follows:

- The District contracted with Blue Cross/Blue Shield (BCBS) for the administration of its self-insured health insurance plan in 2002-03. BCBS's deeply discounted rate structure allowed the District to regain the solvency of the Internal Service Fund. The Board authorized the return of \$333,300.20 to the General Fund to repay prior year transfers.
- The District refinanced its outstanding bonds to take advantage of lower interest rates in the 2002-03 fiscal year. The refinancing is expected to save the taxpayers of Indian River County approximately \$2.1 million.
- The Florida Legislature passed legislation on three additional claims bills totaling \$325,000 against the Indian River County School District on the behalf of various families involved in a 1999 bus accident.

NON-FINANCIAL HIGHLIGHTS

Key non-financial highlights for the 2002-03 fiscal year are as follows:

- A \$4.4 million major renovation of Vero Beach High School, including a new auditorium, continued through the 2002-03 fiscal year.
- The District's student enrollment increased by 563 students, or 3.7 percent over the preceding fiscal year.
- The District secured an AAA bond rating from Standard's and Poors.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

Government-Wide Financial Statements

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

- **Governmental activities** – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component units** – The District presents five separate legal entities in this report, including the Indian River Academy Charter School, Inc.; Indian River Charter High School, Inc.; the North County Charter School, Inc.; the Saint Peter's Human Services, Inc.; and the Sebastian Charter Junior High, Inc. (Charter Schools). Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles.

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. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The 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.

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 government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the

General Fund, Special Revenue - Other Fund, and Capital Projects - Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and the major Special Revenue Fund to demonstrate compliance with the budget.

Proprietary Funds. Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for its self-insurance program activities. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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 government-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.

The District uses a private-purpose trust fund to account for resources of the Waldo Schraubstauder Scholarship Trust Fund.

The District uses agency funds to account for resources held for student activities and groups, and the resources of the East Central Florida Management Training Institute for which the District acts as fiscal agent.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2003, compared to net assets as of June 30, 2002:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-03	6-30-02
Current and Other Assets	\$ 33,751,472.44	\$ 33,031,988.32
Capital Assets	145,620,587.95	139,515,072.51
Total Assets	179,372,060.39	172,547,060.83
Current Liabilities	5,485,044.26	8,660,310.40
Noncurrent Liabilities	50,772,140.33	53,693,629.70
Total Liabilities	56,257,184.59	62,353,940.10
Net Assets:		
Invested in Capital Assets -		
Net of Debt	104,340,587.95	94,985,072.51
Restricted	14,341,707.62	15,221,474.09
Unrestricted (Deficit)	4,432,580.23	(13,425.87)
Total Net Assets	\$ 123,114,875.80	\$ 110,193,120.73

The largest portion of the District's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2003, and June 30, 2002, are as follows:

	Operating Results	
	Governmental	
	Activities	
	6-30-03	6-30-02
Program Revenues:		
Charges for Services	\$ 3,212,306.90	\$ 2,890,503.73
Operating Grants and Contributions	7,370,132.39	7,381,996.54
Capital Grants and Contributions	2,248,207.94	4,678,764.30
General Revenues:		
Property Taxes Levied for Operational Purposes	55,808,160.67	52,262,820.62
Property Taxes Levied for Debt Service	5,747,763.96	5,538,263.40
Property Taxes Levied for Capital Projects	18,157,917.15	16,286,851.72
Grants and Contributions Not Restricted to Specific Programs	30,686,360.06	28,685,604.67
Unrestricted Investment Earnings	586,042.14	1,002,174.15
Miscellaneous	3,118,169.54	2,166,887.23
Total Revenues	126,935,060.75	120,893,866.36
Functions/Program Expenses:		
Instruction	53,742,008.55	53,933,668.73
Pupil Personnel Services	3,753,364.87	3,583,824.34
Instructional Media Services	1,670,221.83	1,500,415.41
Instruction and Curriculum Development Services	4,964,585.22	4,872,473.61
Instructional Staff Training	747,363.32	1,074,663.77
Board of Education	882,114.37	839,614.84
General Administration	551,025.10	541,993.86
School Administration	5,776,126.10	5,473,114.87
Facilities Acquisition and Construction	4,920,678.04	4,065,440.62
Fiscal Services	935,034.79	889,858.62
Food Services	6,282,265.74	5,846,371.17
Central Services	3,187,893.04	2,754,648.90
Pupil Transportation Services	3,255,969.73	3,177,783.35
Operation of Plant	8,354,601.69	7,531,007.16
Maintenance of Plant	2,836,040.54	2,702,488.53
Community Services	1,037,065.66	900,534.64
Interest on Long-Term Debt	2,425,196.63	3,300,924.22
Unallocated Depreciation Expenses	7,349,503.50	7,716,580.61
Loss on Disposal of Capital Assets	972,246.96	5,678,474.72
Extraordinary Item (Claims Settlement)	370,000.00	1,224,393.90
Total Functions/Program Expenses	114,013,305.68	117,608,275.87
Increase in Net Assets	\$ 12,921,755.07	\$ 3,285,590.49

The largest revenue source is the local district school taxes (62 percent).

Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Instructional expenses represent 47 percent of total governmental expenses in the 2002-03 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$10,014,920.07, while the total fund balance was \$11,385,736.47. The unreserved fund balance increased by \$2,928,519.19, while the total fund balance increased by \$1,525,847.04 during the fiscal year.

The Capital Projects – Local Capital Improvement Fund had a total fund balance of \$10,659,506.49, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of a new school and renovations of various facilities.

The Special Revenue – Other Fund contains the accounting for the District's Federal grants. At the end of the year, there was no fund balance.

Proprietary Funds

The Internal Service Fund provided accounting for the health coverage and other benefits to employees, dependents, and retirees of the District. During the current year, Blue Cross/Blue Shield provided the administration of this self-insured plan. The deeply discounted rate structure resulted in the financial recovery of this Fund. The balance of the net assets of the Fund was \$2,308,640.66 at June 30, 2003.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2002-03 fiscal year, the District improved its financial solvency. The District's goal is to maintain an unreserved fund balance with a minimum of 3 percent of operating revenue in order to maintain a strong financial base. The District continues to rely on innovative and flexible revenue sources to continue to recover from the shortfalls experienced as a result of September 11, 2001.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2003, amounted to \$145,620,587.95 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials; and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was approximately 4.4 percent.

Major capital asset events during the current fiscal year included the additions and renovations of Vero Beach High School's auditorium. Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2003, the District had total long-term debt outstanding of \$41,280,000, all of which related to bonds payable. During the year, total bonds payable debt was reduced by \$3,250,000. Bond principal payments totaled \$4,370,000, while new debt issued exceeded debt refunded by \$1,120,000.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The unemployment rate for the District (Indian River County, Florida) is currently 10.7 percent, which is the same as the rate a year ago. This compares unfavorably to the State's average unemployment rate of 5.5 percent. Inflationary trends in the region compare favorably to national indices. In June 2003, the School Board and the Indian River County Education Association representing teachers ratified a 3.07 percent increased salary and benefit package for 2003-04. The Board has offered a similar package increase to the Communication Workers of America representing non-instructional personnel and has not reached tentative agreement. All teachers and non-bargaining personnel were given a 3.07 percent package increase effective July 1, 2003. All these factors were considered in preparing the District budget for the 2003-04 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Indian River 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 Assistant Superintendent for Business Services, Indian River County District School Board, 1990 25th Street, Vero Beach, Florida 32960.

EXHIBIT - A
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2003

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 11,329.38	\$ 637,872.00
Investments	31,585,722.35	10,000.00
Accounts Receivable	69,713.44	35,011.00
Interest Receivable		3,809.00
Prepaid Items	445,766.19	15,043.00
Due from Other Agencies	902,073.52	650,316.00
Inventories	736,867.56	
Capital Assets:		
Land	5,823,494.80	218,232.00
Land Improvements - Non-depreciable	189,729.10	7,187.00
Construction in Progress	694,193.18	132,465.00
Improvements Other Than Buildings, Net	4,413,332.71	333,918.00
Buildings and Fixed Equipment, Net	123,702,755.34	1,472,228.00
Furniture, Fixtures, and Equipment, Net	7,201,869.98	344,643.00
Motor Vehicles, Net	2,811,411.00	
Property Under Capital Lease, Net		20,282.00
Audio Visual Materials and Computer Software, Net	783,801.84	8,883.00
	<u>\$ 179,372,060.39</u>	<u>\$ 3,889,889.00</u>
TOTAL ASSETS		
LIABILITIES		
Salaries and Benefits Payable	\$ 323,491.28	\$
Payroll Deductions and Withholdings	278,844.39	59.00
Accounts Payable	863,134.36	22,745.00
Construction Contracts Payable	1,505,702.26	
Construction Contracts Payable - Retainage	135,689.08	
Accrued Interest Payable	394,833.75	
Due to Other Agencies	801,868.90	
Deferred Revenue	313,464.24	119,297.00
Estimated Insurance Claims Payable	868,016.00	
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable		52,539.00
Obligations Under Capital Lease		19,189.00
Bonds Payable	4,245,000.00	
Estimated Long-Term Claims Payable	544,889.77	
Compensated Absences Payable	1,501,443.95	
Portion Due After One Year:		
Notes Payable		676,074.00
Obligations Under Capital Lease		5,932.00
Bonds Payable	37,035,000.00	
Estimated Long-Term Claims Payable	1,350,018.64	
Compensated Absences Payable	6,095,787.97	
	<u>56,257,184.59</u>	<u>895,835.00</u>
Total Liabilities		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	104,340,587.95	1,784,104.00
Restricted for:		
State Categorical Programs	754,398.67	
Debt Service	1,527,742.03	
Capital Projects	12,059,566.92	788,557.00
Unrestricted	4,432,580.23	421,393.00
	<u>123,114,875.80</u>	<u>2,994,054.00</u>
Total Net Assets		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 179,372,060.39</u>	<u>\$ 3,889,889.00</u>

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

EXHIBIT - B
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 53,742,008.55	\$ 149,405.95	\$	\$
Pupil Personnel Services	3,753,364.87			
Instructional Media Services	1,670,221.83			
Instruction and Curriculum Development Services	4,964,585.22			
Instructional Staff Training	747,363.32			
Board of Education	882,114.37			
General Administration	551,025.10			
School Administration	5,776,126.10			
Facilities Acquisition and Construction	4,920,678.04			2,163,857.96
Fiscal Services	935,034.79			
Food Services	6,282,265.74	2,034,972.38	4,351,880.39	
Central Services	3,187,893.04			
Pupil Transportation Services	3,255,969.73	19,320.76	3,018,252.00	
Operation of Plant	8,354,601.69			
Maintenance of Plant	2,836,040.54			
Community Services	1,037,065.66	1,008,607.81		
Interest on Long-Term Debt	2,425,196.63			84,349.98
Unallocated Depreciation Expenses	7,349,503.50			
Loss on Disposal of Capital Assets	972,246.96			
Total Primary Government	\$ 113,643,305.68	\$ 3,212,306.90	\$ 7,370,132.39	\$ 2,248,207.94
Component Units				
Charter Schools	\$ 4,414,124.00	\$ 128,614.00	\$ 193,761.00	\$ 94,625.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Miscellaneous

Extraordinary Item:

- Claims Settlement

Total General Revenues and Extraordinary Item

Change in Net Assets

Net Assets - July 1, 2002

Net Assets - June 30, 2003

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets	
<u>Primary Governmental</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$	\$
(53,592,602.60)	
(3,753,364.87)	
(1,670,221.83)	
(4,964,585.22)	
(747,363.32)	
(882,114.37)	
(551,025.10)	
(5,776,126.10)	
(2,756,820.08)	
(935,034.79)	
104,587.03	
(3,187,893.04)	
(218,396.97)	
(8,354,601.69)	
(2,836,040.54)	
(28,457.85)	
(2,340,846.65)	
(7,349,503.50)	
<u>(972,246.96)</u>	
<u>(100,812,658.45)</u>	
	<u>(3,997,124.00)</u>
55,808,160.67	
5,747,763.96	
18,157,917.15	
30,686,360.06	4,239,170.00
586,042.14	17,390.00
3,118,169.54	71,949.00
<u>(370,000.00)</u>	
<u>113,734,413.52</u>	<u>4,328,509.00</u>
12,921,755.07	331,385.00
<u>110,193,120.73</u>	<u>2,662,669.00</u>
<u>\$ 123,114,875.80</u>	<u>\$ 2,994,054.00</u>

EXHIBIT - C
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS			
Cash	\$ 3,363.58	\$	\$
Investments	11,850,299.81	579,366.47	12,638,779.23
Accounts Receivable	65,888.85	963.53	1,056.00
Due from Other Funds	245,266.69	21,722.13	112,575.95
Deposits Receivable	250.00		
Due from Other Agencies	307,754.93	61,783.45	35,055.00
Inventories	362,974.14		
TOTAL ASSETS	<u>\$ 12,835,798.00</u>	<u>\$ 663,835.58</u>	<u>\$ 12,787,466.18</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 171,069.97	\$ 126,626.21	\$
Payroll Deductions and Withholding	246,326.75	19,869.59	
Accounts Payable	253,803.59	4,211.41	527,495.62
Construction Contracts Payable			1,433,205.64
Construction Contracts Payable - Retainage			128,680.50
Due to Other Funds	96,601.87	153,388.30	38,577.93
Due to Other Agencies	646,452.25	82,082.93	
Deferred Revenue	35,807.10	277,657.14	
Total Liabilities	<u>1,450,061.53</u>	<u>663,835.58</u>	<u>2,127,959.69</u>
Fund Balances:			
Reserved for State Categorical Programs	754,398.67		
Reserved for Encumbrances	253,443.59		3,790,272.96
Reserved for Inventories	362,974.14		
Reserved for Debt Service			
Unreserved	10,014,920.07		6,869,233.53
Unreserved, Reported in Nonmajor:			
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	<u>11,385,736.47</u>		<u>10,659,506.49</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,835,798.00</u>	<u>\$ 663,835.58</u>	<u>\$ 12,787,466.18</u>

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

EXHIBIT - C

Other Funds	Total Governmental Funds
<hr/>	<hr/>
\$ 7,965.80	\$ 11,329.38
3,787,101.37	28,855,546.88
	67,908.38
	379,564.77
	250.00
497,480.14	902,073.52
373,893.42	736,867.56
<hr/>	<hr/>
<u>\$ 4,666,440.73</u>	<u>\$ 30,953,540.49</u>
\$ 25,795.10	\$ 323,491.28
12,648.05	278,844.39
77,623.74	863,134.36
72,496.62	1,505,702.26
7,008.58	135,689.08
90,156.61	378,724.71
73,333.72	801,868.90
	313,464.24
<hr/>	<hr/>
<u>359,062.42</u>	<u>4,600,919.22</u>
	754,398.67
1,235,253.76	5,278,970.31
373,893.42	736,867.56
1,527,742.03	1,527,742.03
	16,884,153.60
938,372.15	938,372.15
232,116.95	232,116.95
<hr/>	<hr/>
<u>4,307,378.31</u>	<u>26,352,621.27</u>
<u>\$ 4,666,440.73</u>	<u>\$ 30,953,540.49</u>

**EXHIBIT - D
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003**

Total Fund Balances - Governmental Funds		\$	26,352,621.27
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			145,620,587.95
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			2,308,640.66
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. This is the amount of accrued interest payable at year-end.			(394,833.75)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:			
Bonds Payable	\$ 41,280,000.00		
Estimated Long-Term Claims Payable	1,894,908.41		
Compensated Absences Payable	<u>7,597,231.92</u>		<u>(50,772,140.33)</u>
Total Net Assets - Governmental Activities		\$	<u>123,114,875.80</u>

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

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EXHIBIT - E
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 77,992.50	\$ 202,838.95	\$
Federal Through State		5,911,978.01	
Federal Through Local	68,395.15	32,505.00	
State	29,125,682.51		
Local	58,725,220.42		18,323,787.37
Total Revenues	87,997,290.58	6,147,321.96	18,323,787.37
Expenditures			
Current - Education:			
Instruction	52,530,889.20	3,728,780.60	
Pupil Personnel Services	3,018,500.70	718,539.59	
Instructional Media Services	1,668,657.34		
Instruction and Curriculum Development Services	3,936,216.10	997,110.22	
Instructional Staff Training	455,068.61	291,722.89	
Board of Education	1,137,843.31		
General Administration	421,262.80	177,564.88	
School Administration	5,691,337.96	20,862.85	
Facilities Acquisition and Construction	820,270.09	65,461.47	3,500,199.88
Fiscal Services	929,645.64		
Food Services	39,156.51		
Central Services	3,208,852.24		
Pupil Transportation Services	3,239,668.12	4,359.02	
Operation of Plant	8,339,075.14		
Maintenance of Plant	2,821,191.06		
Community Services	986,538.61	45,813.32	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	5,220.00		9,134,703.41
Other Capital Outlay	384,010.03	97,107.12	3,792,778.86
Debt Service:			
Principal			
Interest and Fiscal Charges	9,010.92		
Total Expenditures	89,642,414.38	6,147,321.96	16,427,682.15
Excess (Deficiency) of Revenues Over Expenditures	(1,645,123.80)		1,896,105.22
Other Financing Sources (Uses)			
Transfers In	3,083,300.20		
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payments to Refunded Bond Escrow Agent			
Proceeds from Sale of Capital Assets	37,758.86		
Insurance Loss Recoveries	49,911.78		
Transfers Out			(2,645,000.00)
Total Other Financing Sources (Uses)	3,170,970.84		(2,645,000.00)
Net Change in Fund Balances	1,525,847.04		(748,894.78)
Fund Balances, July 1, 2002	9,859,889.43		11,408,401.27
Fund Balances, June 30, 2003	\$ 11,385,736.47	\$ 0.00	\$ 10,659,506.49

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

EXHIBIT - E

Other Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
4,138,511.39	280,831.45
2,477,301.91	10,050,489.40
7,850,847.54	100,900.15
<u> </u>	<u>31,602,984.42</u>
<u>14,466,660.84</u>	<u>84,899,855.33</u>
	56,259,669.80
	3,737,040.29
	1,668,657.34
	4,933,326.32
	746,791.50
	1,137,843.31
	598,827.68
	5,712,200.81
555,529.99	4,941,461.43
	929,645.64
6,229,670.68	6,268,827.19
	3,208,852.24
	3,244,027.14
	8,339,075.14
	2,821,191.06
	1,032,351.93
687,587.02	9,827,510.43
413,530.10	4,687,426.11
4,370,000.00	4,370,000.00
2,013,162.87	2,022,173.79
<u> </u>	<u> </u>
<u>14,269,480.66</u>	<u>126,486,899.15</u>
<u>197,180.18</u>	<u>448,161.60</u>
	3,083,300.20
42,410,000.00	42,410,000.00
1,569,362.65	1,569,362.65
(43,463,299.24)	(43,463,299.24)
	37,758.86
	49,911.78
<u>(105,000.00)</u>	<u>(2,750,000.00)</u>
<u>411,063.41</u>	<u>937,034.25</u>
608,243.59	1,385,195.85
3,699,134.72	24,967,425.42
<u> </u>	<u> </u>
<u>\$ 4,307,378.31</u>	<u>\$ 26,352,621.27</u>

**EXHIBIT - F
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balances - Governmental Funds \$ 1,385,195.85

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

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 is the amount of capital outlays in excess of depreciation expense in the current period.	7,165,433.04
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(42,410,000.00)
Refunded bond debt is reported as other financing uses in governmental funds, but decreases long-term liabilities in the statement of net assets.	41,290,000.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	4,370,000.00
The net change in estimated long-term claims payable is reported in the statement of activities, but not in the governmental funds statements.	(106,464.96)
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balances by the undepreciated cost of the disposed assets.	(1,059,917.60)
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 compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(222,045.67)
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. This is the net change in accrued interest payable during the current period.	200,913.75
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	2,308,640.66

Change in Net Assets - Governmental Activities \$ 12,921,755.07

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

EXHIBIT - G
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2003

	Governmental Activities - Internal Service Fund
	<u> </u>
ASSETS	
Current Assets:	
Investments	\$ 2,730,175.47
Due From Other Funds	965.00
Prepaid Items	<u>445,516.19</u>
Total Assets	<u><u>\$ 3,176,656.66</u></u>
LIABILITIES	
Current Liabilities:	
Estimated Insurance Claims Payable	<u>\$ 868,016.00</u>
NET ASSETS	
Unrestricted	<u>2,308,640.66</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,176,656.66</u></u>

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

**EXHIBIT - H
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 12,081,574.41
Other Operating Revenues	98,118.11
Total Operating Revenues	12,179,692.52
OPERATING EXPENSES	
Insurance Claims	6,088,520.90
Insurance Premiums	1,764,881.40
Service Agent Fees	1,706,095.98
Total Operating Expenses	9,559,498.28
Operating Income	2,620,194.24
NONOPERATING REVENUES (EXPENSES)	
Interest	22,916.58
Other	(1,169.96)
Total Nonoperating Revenues (Expenses)	21,746.62
Income Before Transfers	2,641,940.86
Transfers Out	(333,300.20)
Change in Net Assets	2,308,640.66
Total Net Assets, July 1, 2002	
Total Net Assets, June 30, 2003	\$ 2,308,640.66

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

**EXHIBIT - I
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 11,517,785.21
Cash Received from Other Operating Revenues	98,118.11
Cash Payments to Suppliers for Goods and Services	(2,456,865.40)
Cash Payments for Insurance Claims	(6,628,196.49)
Cash Payments for Service Agent Fees	<u>(1,706,095.98)</u>
Net Cash Provided by Operating Activities	<u>824,745.45</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Other Funds	(333,300.20)
Other	<u>(1,169.96)</u>
Net Cash Used by Noncapital Financing Activities	<u>(334,470.16)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(513,191.87)
Interest Income	<u>22,916.58</u>
Net Cash Used by Investing Activities	<u>(490,275.29)</u>
Net Increase in Cash	
Cash, Beginning	<u> </u>
Cash, Ending	<u><u>\$ 0.00</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 2,620,194.24</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due From Other Funds	196,035.00
Increase in Prepaid Items	(316,366.23)
Decrease in Accounts Payable	(95,719.41)
Decrease in Deferred Revenues	(887,414.15)
Decrease in Estimated Insurance Claims Payable	<u>(691,984.00)</u>
Total Adjustments	<u>(1,795,448.79)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 824,745.45</u></u>

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

EXHIBIT - J
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2003

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds (Unaudited)</u>
ASSETS		
Cash	\$ 1,411.97	\$ 214,357.88
Investments	79,403.97	546,288.47
Accounts Receivable, Net		<u>7,446.80</u>
TOTAL ASSETS	<u><u>\$ 80,815.94</u></u>	<u><u>\$ 768,093.15</u></u>
LIABILITIES		
Accounts Payable	\$	\$ 200.00
Due to Other Agencies		101,522.38
Due to Other Funds		1,805.06
Internal Accounts Payable		<u>664,565.71</u>
Total Liabilities		<u><u>\$ 768,093.15</u></u>
Total Net Assets	<u><u>80,815.94</u></u>	
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 80,815.94</u></u>	

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

EXHIBIT - K
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2003

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 49,843.61
Interest, Dividends, and Other	2,631.18
Total Investment Income	52,474.79
DEDUCTIONS	
Other Expenses	2,000.00
Change in Net Assets Held in Trust for:	
Scholarships for Individuals	50,474.79
Net Assets, July 1, 2002	30,341.15
Net Assets, June 30, 2003	\$ 80,815.94

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

EXHIBIT – L
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Indian River County School District is considered part of the Florida system of public education. The governing body of the school district is the Indian River County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Indian River County.

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 provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the District School Board's reporting entity:

- Discretely Presented Component Units. The component units columns in the basic financial statements, Exhibits A and B, include the financial data of the District's component units:

Indian River Academy Charter School, Inc., was established to provide educational services to students in grades 1 through 5, and to provide alternative educational services for students in Indian River County who are achieving at least one or more years below grade level and who have documented disciplinary actions which could have resulted in suspension from school.

Indian River Charter High School, Inc., was established to provide educational services to secondary school students in grades 9 through 12 who want or need a non-traditional structure and learning environment to successfully complete their high school academic and vocational preparation and earn their high school diploma.

North County Charter School, Inc., was established to provide educational services to students in grades K through 5, to improve the academic performance of students who are reading below grade level, and to improve reading skills of all students regardless of their reading ability.

Saint Peter's Human Services, Inc., was established to provide educational services to students in grades K through 5 who are identified as academically low, with the core curriculum designed for "at risk" students.

Sebastian Charter Junior High, Inc., was established to educate students in grades 6 through 8 in a wholesome, challenging environment, which fosters individual achievement and character development.

The Charter Schools are separate not-for-profit entities with separate boards of directors. The District is the sponsor for the Charter Schools and is responsible for monitoring and reviewing the Charter Schools' progress towards meeting the goals established in the charters. Audits of

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

the Charter Schools for the fiscal year ended June 30, 2003, were conducted by independent accounting firms and are on file at the District Administrative Office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School 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.

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. 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. Nonmajor 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.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Local Capital Improvement 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, payments on operating leases, motor vehicle purchases, equipment purchases, and costs of environmental compliance.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund - to account for the District's individual self-insurance programs.
- Private-Purpose Trust Fund - to account for resources of the Waldo Schraubstauder Scholarship Trust Fund.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

- Agency Funds - to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities, and to account for the resources of the East Central Florida Management Training Institute consortium for which the School District of Indian River County acted as fiscal agent for the 2002-03 fiscal year.

➤ **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 funds 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 30 days (with the exception of tax revenue collections) 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, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Internal Service Fund is accounted for under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. The Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's Internal Service Fund are charges for employee health insurance premiums. Operating expenses include insurance premiums, claims, and related expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Charter Schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

financial institution collateral pool as required by Chapter 280, Florida Statutes. For the Internal Service Fund (a propriety fund type), the statement of cash flows considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at amortized cost.

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 based on the last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 years

Current-year information relative to changes in capital 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.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 liabilities 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 1011.62, Florida Statutes. In accordance with this law, the District 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 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 nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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 Indian River County Property Appraiser, and property taxes are collected by the Indian River County Tax Collector.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

The School Board adopted the 2002 tax levy on September 10, 2002. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Indian River County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The Board 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.

3. INVESTMENTS

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

- 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 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool, the money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts, and direct obligations of the U.S. Treasury.

All investments at June 30, 2003, are in the State Board of Administration investment pool with an amortized cost of \$32,161,571.18 and United States Government securities with a fair value of \$49,843.61.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

	Balance 7-1-02	Additions	Deletions	Balance 6-30-03
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 5,637,104.80	\$ 186,390.00	\$	\$ 5,823,494.80
Land Improvements - Non-depreciable	189,729.10			189,729.10
Construction in Progress	12,504,097.64	2,706,333.49	14,516,237.95	694,193.18
Total Capital Assets Not Being Depreciated	18,330,931.54	2,892,723.49	14,516,237.95	6,707,417.08
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	8,447,803.84	1,647,053.78		10,094,857.62
Buildings and Fixed Equipment	142,960,054.73	20,718,500.82	636,075.18	163,042,480.37
Furniture, Fixtures, and Equipment	20,968,788.83	3,047,765.51	3,024,462.03	20,992,092.31
Motor Vehicles	6,294,925.15	459,630.30	329,260.88	6,425,294.57
Audio Visual Materials and Computer Software	1,337,836.02	265,500.59	57,000.05	1,546,336.56
Total Capital Assets Being Depreciated	180,009,408.57	26,138,451.00	4,046,798.14	202,101,061.43
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	5,223,436.50	458,088.41		5,681,524.91
Buildings and Fixed Equipment	35,671,880.32	3,667,844.71		39,339,725.03
Furniture, Fixtures, and Equipment	13,908,686.83	2,543,588.89	2,662,053.39	13,790,222.33
Motor Vehicles	3,445,716.79	453,417.89	285,251.11	3,613,883.57
Audio Visual Materials and Computer Software	575,547.16	226,563.60	39,576.04	762,534.72
Total Accumulated Depreciation	58,825,267.60	7,349,503.50	2,986,880.54	63,187,890.56
Total Capital Assets Being Depreciated, Net	121,184,140.97	18,788,947.50	1,059,917.60	138,913,170.87
Governmental Activities Capital Assets, Net	\$ 139,515,072.51	\$ 21,681,670.99	\$ 15,576,155.55	\$ 145,620,587.95

The District's capital assets serve several functions; accordingly, total depreciation expense of \$7,349,503.50 is reported as "Unallocated Depreciation Expense" on the Statement of Activities.

5. BONDS PAYABLE

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1996-B, Refunding	\$ 290,000	4.375 - 4.625	2007
District General Obligation Bonds:			
Series 2002, Refunding	23,525,000	2.5 - 5.5	2013
Series 2003, Refunding	<u>17,465,000</u>	2.25 - 5.00	2011
Total Bonds Payable	<u><u>\$ 41,280,000</u></u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. 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 State Board of Education and the State Board of Administration.

➤ **District General Obligation Bonds**

General Obligation Bonds, Series 1991 and 1993, were refinanced during the fiscal year ended June 30, 2003. The General Obligation Refunding Bonds, Series 2002 and Series 2003, are authorized by the Indian River County District School Board and secured by a pledge of property taxes levied, pursuant to Chapter 1011, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2003, are as follows:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2004	\$ 82,986.25	\$ 70,000.00	\$ 12,986.25
2005	79,923.75	70,000.00	9,923.75
2006	81,843.75	75,000.00	6,843.75
2007	<u>78,468.75</u>	<u>75,000.00</u>	<u>3,468.75</u>
Total State School Bonds	<u>323,222.50</u>	<u>290,000.00</u>	<u>33,222.50</u>
District General Obligation Bonds:			
2004	5,754,335.00	4,175,000.00	1,579,335.00
2005	5,760,185.00	4,295,000.00	1,465,185.00
2006	4,863,560.00	3,535,000.00	1,328,560.00
2007	4,862,810.00	3,675,000.00	1,187,810.00
2008	4,877,560.00	3,805,000.00	1,072,560.00
2009-2013	<u>24,671,567.50</u>	<u>21,505,000.00</u>	<u>3,166,567.50</u>
Total District General Obligation Bonds	<u>50,790,017.50</u>	<u>40,990,000.00</u>	<u>9,800,017.50</u>
Total	<u><u>\$51,113,240.00</u></u>	<u><u>\$41,280,000.00</u></u>	<u><u>\$9,833,240.00</u></u>

6. DEFEASED DEBT

On August 1, 2002, the Board issued \$24,805,000 in Refunding General Obligation Bonds, Series 2002, with an average interest rate of 4.47 percent, to advance-refund the District's General Obligation Bonds, Refunding Series 1991 and Series 1993. The Refunding Bonds are being issued to advance-refund the \$2,520,000 principal amount of the District's General Obligation Bonds, Refunding Series 1991, that matures on or after October 1, 2002, and the \$21,755,000 principal amount of the District's General Obligation Bonds, Series 1993, that matures on or after October 1, 2003. The net proceeds of \$25,706,477.45 (after payment of \$288,808.70 in underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for a portion of future debt service payments on the Refunding Series 1991 and Series 1993 bonds. As a result, the Refunding Series 1991 and the Series 1993 bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

On December 1, 2002, the Board issued \$17,605,000 in Refunding General Obligation Bonds, Series 2003, with an average interest rate of 3.71 percent, to advance-refund the District's General Obligation Bonds, Refunding Series 1993. The Refunding Bonds are being issued to advance-refund the \$17,015,000 principal amount of the District's General Obligation Bonds, Refunding Series 1993, that matures on or after October 1, 2003. The net proceeds of \$17,756,821.79 (after payment of \$288,722.21 in underwriting fees, insurance,

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

and other issuance costs) were placed in an irrevocable trust to provide for a portion of future debt service payments on the Refunding Series 1993 bonds. As a result, the Refunding Series 1993 bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

The General Obligation Bonds listed above were refunded to reduce total debt service payments over the next 10 years by approximately \$2,072,083, and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$246,515.

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-02	Additions	Deductions	Balance 6-30-03	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Long-Term Claims Payable	\$ 1,788,443.45	\$ 479,450.00	\$ 372,985.04	\$ 1,894,908.41	\$ 544,889.77
Bonds Payable	44,530,000.00	42,410,000.00	45,660,000.00	41,280,000.00	4,245,000.00
Compensated Absences Payable	7,375,186.25	1,723,489.62	1,501,443.95	7,597,231.92	1,501,443.95
Total Governmental Activities	\$53,693,629.70	\$44,612,939.62	\$47,534,428.99	\$50,772,140.33	\$ 6,291,333.72

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

Included in Estimated Long-Term Claims Payable are actual and contingent liabilities related to a bus accident which occurred January 25, 1999. At June 30, 2003, the balance remaining for actual claims payable is \$692,318.17 due over the next three years. In addition, the District is contingently liable for potential awards of an estimated \$657,500. Since action of the Legislature is required, if awarded, payments for the contingent liabilities will not be due within one year or less. The balance shown in Estimated Long-Term Claims Payable includes both awarded and potential claims.

8. 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.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$29,000.59 at June 30, 2003.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$245,266.69	\$ 96,601.87
Special Revenue:		
Other	21,722.13	153,388.30
Capital Projects:		
Local Capital Improvement	112,575.95	38,577.93
Nonmajor Governmental Funds		90,156.61
Internal Service Fund	965.00	
Agency Funds		1,805.06
Total	<u>\$380,529.77</u>	<u>\$380,529.77</u>

Interfund balances above primarily relate to Federal indirect cost recoveries, workers' compensation expenses, and food service utility costs. Payments are made in the following accounting cycle.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$3,083,300.20	\$
Capital Projects:		
Local Capital Improvement Fund		2,645,000.00
Nonmajor Governmental Funds		105,000.00
Internal Service Fund		333,300.20
Total	<u>\$3,083,300.20</u>	<u>\$3,083,300.20</u>

Transfers are used for (1) the maintenance and repair of educational plants; for the purchase, lease, or lease-purchase of equipment directly related to the delivery of student instruction; for the rental or lease of

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

existing buildings; for the opening day collection for the library media center; and other uses identified in Section 1011.71(5)(a), Florida Statutes; (2) moving revenues from one fund to the fund in which the expenditure is required; and (3) in the year ended June 30, 2003, the District made a one time transfer of \$333,300.20 from the Internal Service Fund to the General Fund to repay the prior year transfers to the self-insurance program.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2002-03 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 18,715,141.00
Categorical Educational Programs:	
Discretionary Lottery Funds	1,129,851.00
Other	6,629,190.79
Gross Receipts Tax (Public Education Capital Outlay)	1,635,900.00
Classrooms First Program (via Osceola County District School Board)	897,039.00
Workforce Development Program	776,696.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	600,728.00
Charter School Capital Outlay	532,980.00
Food Service Supplement	210,684.00
Mobile Home License Tax	160,023.66
Interest on Capital Outlay and Debt Service	11,579.94
Miscellaneous	<u>303,171.03</u>
 Total	 <u><u>\$ 31,602,984.42</u></u>

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

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2002 tax roll for the 2002-03 fiscal year:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.506	\$52,479,603
Basic Discretionary Local Effort	0.510	4,860,989
Supplemental Discretionary Local Effort	0.086	819,696
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.630	6,004,762
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	19,062,702
Total	8.732	\$83,227,752

12. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is primarily 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 eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The defined benefit 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) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS 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 FRS Trust Fund and accrue interest.

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	5.76
Florida Retirement System, Elected County Officers	0.00	11.86
Florida Retirement System, Senior Management Service	0.00	6.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement and 0.15 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

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 (including employee contributions) for the fiscal years ending June 30, 2001, June 30, 2002, and June 30, 2003, totaled \$4,985,655.53, \$4,196,924.87, and \$3,437,075.66, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2003, totaled \$82,359.55.

Pension Reporting. The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, 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.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

13. SPECIAL TERMINATION BENEFITS

School Board policy provides for the payment of special termination benefits to qualifying employees equal to 100 percent of accrued vacation leave at the date of termination of employment. In addition to payments for accrued leave used and regular termination benefits, the District reported expenditures totaling \$2,640 during the 2002-03 fiscal year for special termination benefits.

During the 1996-97 fiscal year, the Board approved one-time early retirement incentive plans for all instructional employees covering the 1996-97, 1997-98, 1998-99, and 1999-2000 fiscal years. Employees were required to have at least 10 years of service with the District and were required to be eligible for retirement under the Florida Retirement System (FRS). Under Plan 1, those employees that took advantage of this incentive elected to receive a retirement bonus consisting of 15 percent plus 1 percent for every five years of service with the District. Under Plan 2, those employees that took advantage of this incentive elected to receive 50 percent of the group health premium for one year for every five years of service with the District. The only portion of this early retirement incentive remaining is the 50 percent of the group health premium for one year for every five years of service with the District.

During the 1994-95 fiscal year, the Board approved one-time early retirement incentive plans for all instructional and non-instructional employees. Under both Plans, employees were required to have 10 years of service with the District and were required to declare their written intent to retire by March 31, 1995. Under Plan 1, employees who had reached age 55 by June 30, 1995, and had 25 years of creditable service under the FRS; or had reached age 57 and had 15 years of creditable service under the FRS; or had 30 years of creditable service under the FRS, regardless of age, were eligible. Under Plan 1, those employees that took advantage of this incentive elected to receive a retirement bonus consisting of 25 percent of their final salary in lieu of regular termination benefits as deferred compensation; payment of 100 percent of their accumulated sick leave as deferred compensation; paid health insurance for five years; and a \$10,000 term life insurance policy for the life of the employee. The only portion of this early retirement incentive remaining is the \$10,000 term life insurance policy for the life of the employee.

Under Plan 2, employees who had reached age 55 by June 30, 1995, and had at least 25 years of creditable service with the FRS, were eligible. Under Plan 2, those employees that took advantage of this incentive elected to receive monthly payments for five years equal to the reduction in their benefits from the FRS due to early retirement; payment of 100 percent of their accumulated sick leave as deferred compensation; paid health insurance for five years; and a \$10,000 term life insurance policy for the life of the employee.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

The District reported a long-term liability totaling \$13,032.24 for the 62 remaining retirees of the two termination plans. This amount represents estimated term life insurance premiums in future years as well as health insurance for one remaining employee.

14. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Vero Beach Senior High Auditorium Remodeling and Renovations:			
Architect	\$ 957,847.00	\$ 569,013.00	\$ 388,834.00
Contractor	3,479,350.00	452,999.00	3,026,351.00
Total	\$ 4,437,197.00	\$ 1,022,012.00	\$ 3,415,185.00

15. OPERATING LEASE COMMITMENTS

The District leases a building for administrative facilities and a copier with future annual lease payments. The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year:

Fiscal Year Ending June 30	Amount
2004	\$ 48,167.88
2005	47,111.92
2006	45,000.00
2007	45,000.00
2008	45,000.00
2009-2011	157,500.00
Total Minimum Payments Required	\$ 387,779.80

16. CONSORTIUMS

The District is a member of the East Central Florida Management Training Institute (MTI). The Institute provides training for administrators in the participating districts. MTI administration was relocated to Indian River County at the beginning of the 2003 fiscal year when the District also was appointed to act as fiscal agent. During the 2003 fiscal year, MTI had five full members and three associates. The Institute is governed by a Board of Directors composed of the superintendents of the participating school districts.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

17. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Indian River County District School Board is a member of the South Central Educational Risk Management Program (Consortium), a consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. Employer's Mutual Inc., serves as fiscal agent for the Consortium.

The property and casualty group under the Consortium is a public entity risk pool which was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The School Board makes an annual contribution to the group for its property and casualty coverage. The interlocal agreement and bylaws of the property and casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a deficiency except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board. It is the property and casualty group's policy to reinsure through commercial insurance carriers for workers' compensation and property loss claims in excess of \$300,000 and \$100,000, respectively. Presently, the Consortium has an operating deficit of \$3,626,188 for the period ending June 30, 2003. The Indian River County School District's share of that deficit is \$532,058. The member school boards have agreed to increase their annual contributions to cure the deficiency.

Settled claims resulting from these risks have exceeded commercial coverage within the past four fiscal years. A bus accident in January 1999 resulted in litigation. One claim settlement which has already been enacted into law through the legislative claims bill process resulted in an actual award of \$1,224,393.90. This award will be paid out in three installments. The second installment of \$367,318.17 was paid in May 2003. The third installment is scheduled for payment in fiscal year 2004. Three additional settlements, which have been enacted into law through the legislative claims bill process, resulted in actual awards of \$325,000. One award

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

was in the amount of \$40,000, the second \$60,000, and the third for \$225,000 to be paid in three installments of \$75,000. The \$40,000, \$60,000, and first installment of \$75,000 will be paid in fiscal year 2004. The second and third installments, each for \$75,000, are scheduled for payment in fiscal years 2005 and 2006. Three other potential claims have been settled and are pending legislative approval. The three potential claims total \$657,500.

On July 1, 2002, the District changed third-party administrators to Blue Cross Blue Shield of Florida for its health insurance program only. Premiums received for and claims (and other expenses) paid on behalf of Indian River County District School Board employees and their dependents are reported in the District's Internal Service Fund.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
	-----	-----	-----	-----
2001-02	\$ 1,363,000.00	\$ 9,709,867.52	\$ (9,512,867.52)	\$ 1,560,000.00
2002-03	1,560,000.00	5,936,212.49	(6,628,196.49)	868,016.00

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EXHIBIT - M
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 77,476.00	\$ 77,476.00	\$ 77,992.50	\$ 516.50
Federal Through State	250,000.00	258,500.00		(258,500.00)
Federal Through Local			68,395.15	68,395.15
State	28,081,575.29	29,076,978.63	29,125,682.51	48,703.88
Local	57,460,389.00	57,807,933.81	58,725,220.42	917,286.61
Total Revenues	85,869,440.29	87,220,888.44	87,997,290.58	776,402.14
Expenditures				
Current - Education:				
Instruction	56,529,436.30	56,935,175.87	52,530,889.20	4,404,286.67
Pupil Personnel Services	2,849,652.90	3,059,160.33	3,018,500.70	40,659.63
Instructional Media Services	1,777,654.03	1,782,804.39	1,668,657.34	114,147.05
Instruction and Curriculum Development Services	3,798,940.39	4,012,281.74	3,936,216.10	76,065.64
Instructional Staff Training	573,283.77	604,309.50	455,068.61	149,240.89
Board of Education	3,183,143.32	2,098,558.84	1,137,843.31	960,715.53
General Administration	475,829.71	464,858.13	421,262.80	43,595.33
School Administration	5,918,579.67	5,767,784.45	5,691,337.96	76,446.49
Facilities Acquisition and Construction	321,672.33	820,270.09	820,270.09	
Fiscal Services	882,070.19	936,085.24	929,645.64	6,439.60
Food Services		39,156.51	39,156.51	
Central Services	3,460,914.69	3,691,281.83	3,208,852.24	482,429.59
Pupil Transportation Services	3,220,875.90	3,370,101.29	3,239,668.12	130,433.17
Operation of Plant	8,810,861.14	8,948,288.46	8,339,075.14	609,213.32
Maintenance of Plant	2,952,986.57	2,894,825.49	2,821,191.06	73,634.43
Community Services	1,086,591.22	1,240,564.82	986,538.61	254,026.21
Fixed Capital Outlay:				
Facilities Acquisition and Construction		5,220.00	5,220.00	
Other Capital Outlay		384,010.03	384,010.03	
Debt Service:				
Interest and Fiscal Charges	8,300.00	9,010.92	9,010.92	
Total Expenditures	95,850,792.13	97,063,747.93	89,642,414.38	7,421,333.55
Excess (Deficiency) of Revenues Over Expenditures	(9,981,351.84)	(9,842,859.49)	(1,645,123.80)	8,197,735.69
Other Financing Sources				
Transfers In	2,750,000.00	3,083,300.20	3,083,300.20	
Proceeds from Sale of Capital Assets	20,000.00	24,491.86	37,758.86	13,267.00
Insurance Loss Recoveries			49,911.78	49,911.78
Total Other Financing Sources	2,770,000.00	3,107,792.06	3,170,970.84	63,178.78
Net Change in Fund Balances	(7,211,351.84)	(6,735,067.43)	1,525,847.04	8,260,914.47
Fund Balances, July 1, 2002	10,056,889.43	9,859,889.43	9,859,889.43	
Fund Balances, June 30, 2003	\$ 2,845,537.59	\$ 3,124,822.00	\$ 11,385,736.47	\$ 8,260,914.47

EXHIBIT - M

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 309,211.79	\$ 328,077.96	\$ 202,838.95	\$ (125,239.01)
5,761,054.36	6,907,828.02	5,911,978.01	(995,850.01)
		32,505.00	32,505.00
<u>6,070,266.15</u>	<u>7,235,905.98</u>	<u>6,147,321.96</u>	<u>(1,088,584.02)</u>
3,488,842.96	4,298,060.77	3,728,780.60	569,280.17
782,495.85	897,890.65	718,539.59	179,351.06
1,068,004.48	1,063,227.80	997,110.22	66,117.58
327,314.04	468,380.83	291,722.89	176,657.94
212,653.80	203,448.09	177,564.88	25,883.21
28,743.32	20,862.85	20,862.85	
23,314.45	75,373.52	65,461.47	9,912.05
56,895.63	46,822.33	4,359.02	42,463.31
1,672.63	240.00		240.00
80,328.99	64,492.02	45,813.32	18,678.70
	97,107.12	97,107.12	
<u>6,070,266.15</u>	<u>7,235,905.98</u>	<u>6,147,321.96</u>	<u>1,088,584.02</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

FEDERAL REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board as of and for the fiscal year ended June 30, 2003, which collectively comprise the District's basic financial statements and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors. Also, our audit did not extend to the school and activity funds, commonly called the school internal funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

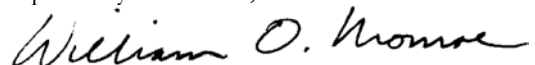
Internal Control Over Financial Reporting

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 opinions on the District's basic financial statements and not to provide assurance on the District's internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These matters are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. Our consideration of internal control over financial reporting 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 none of the reportable conditions referred to above is a material weakness.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

January 16, 2004



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2003. The District's major Federal programs are identified in the **SUMMARY OF AUDIT RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of the District's 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 the OMB's *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. The legal determination on the District's compliance with these requirements is, however, ultimately the responsibility of the grantor agency.

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

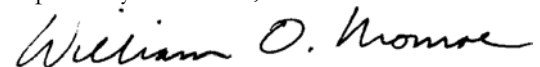
Internal Control Over Compliance

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

Our consideration of the internal control over compliance and its operation would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

January 16, 2004

**INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Direct:				
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	N/A	\$ 24,667.56	\$
Indirect:				
Florida Department of Agriculture and Consumer Services: Food Donation	10.550 (2)	None	303,685.71	
Florida Department of Education: Child Nutrition Cluster:				
School Breakfast Program	10.553	321	1,360,405.22	
National School Lunch Program	10.555	300	2,158,259.71	
Summer Food Service Program for Children	10.559	323	179,104.00	
Total Child Nutrition Cluster			3,697,768.93	
Child and Adult Care Food Program	10.558	302	69,764.22	
Total Indirect			4,071,218.86	
Total United States Department of Agriculture			4,095,886.42	
United States Department of Interior:				
Direct:				
Cooperative Endangered Species Conservation Fund	15.615	N/A	12,549.65	
Federal Emergency Management Agency:				
Indirect:				
Florida Department of Community Affairs: Hazard Mitigation Grant	83.548	None	2,176.16	
United States Department of Education:				
Direct:				
Fund for the Improvement of Education	84.215	N/A	165,621.74	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	2,194,873.16	
Special Education - Preschool Grants	84.173	267	86,678.55	
St. Lucie County District School Board:				
Special Education - Grants to States	84.027	None	42,252.37	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	8,500.00	
Total Special Education Cluster			2,332,304.08	
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191	96,606.00	
Title I Grants to Local Educational Agencies	84.010	212	2,003,065.81	
Migrant Education - State Grant Program	84.011	217	345,632.37	
Vocational Education - Basic Grants to States	84.048	151	136,850.00	
Immigrant Education	84.162	136	115,616.16	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	79,061.83	
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	133	9,298.17	
Charter Schools	84.282	298	64,009.90	64,009.90
Innovative Education Program Strategies	84.298	113	94,273.86	
Education Technology - State Grants	84.318	121	4,224.55	
Improving Teacher Quality State Grants	84.367	224	673,053.45	
Indian River Community College:				
Vocational Education - Basic Grants to States	84.048	151	32,505.00	
Tech-Prep Education	84.243	None	17,642.78	
Total Indirect			6,004,143.96	64,009.90
Total United States Department of Education			6,169,765.70	64,009.90
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education: Learn and Serve America - School and Community Based Programs	94.004	234	8,734.20	
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	75,816.34	
Total Expenditures of Federal Awards			\$ 10,364,928.47	\$ 64,009.90

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2002-03 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.
Food Donation - Represents the amount of donated food used during the 2002-03 fiscal year. Commodities are valued at fair value as determined at the time of donation.

**INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2003**

SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Indian River County District School Board for the fiscal year ended June 30, 2003:

- Except for the exclusion of the school internal funds from the scope of the audit, there was no modification to the opinion on the financial statements.
- Certain matters involving the internal control and its operation were considered to be reportable conditions, though none of the reportable conditions was considered a material weakness.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were disclosed.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were disclosed.
- Major Federal programs included: Title I Grants to Local Educational Agencies (CFDA No. 84.010), Migrant Education - State Grant Program (CFDA No. 84.011), and Improving Teacher Quality State Grants (CFDA No. 84.367).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$310,947.86.
- The low risk entity threshold was applied.

FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section __.510.

*INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2003*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
03-150		No prior Federal audit findings.		