



**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, 2004

Indian River County District School Board members and the Superintendent of Schools who served during the 2003-04 fiscal year are shown in the following tabulation:

|   | <u>District<br/>No.</u> |
|---|-------------------------|
| <i>William D. Hughes</i>  | <i>1</i>                |
| <i>Steven Mohler, Chair to 11-17-03, Vice-Chair from 11-18-03</i>     | <i>2</i>                |
| <i>Dr. R. Craig McGarvey</i>  | <i>3</i>                |
| <i>Herbert L. Bailey</i>  | <i>4</i>                |
| <i>Kathryn A. Wilson, Vice-Chair to 11-17-03, Chair from 11-18-03</i> | <i>5</i>                |

*Thomas B. Maher, 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**

|   | <b>PAGE<br/>NO.</b> |
|---|---------------------|
| <b>EXECUTIVE SUMMARY .....</b>                                    | <b>i</b>            |
| <b>FINANCIAL SECTION .....</b>                                    | <b>1</b>            |
| <b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....</b> | <b>2</b>            |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>                  | <b>5</b>            |
| <b>BASIC FINANCIAL STATEMENTS .....</b>                           | <b>12</b>           |
| <b>OTHER REQUIRED SUPPLEMENTARY INFORMATION.....</b>              | <b>46</b>           |
| <b>FEDERAL REPORTS AND SCHEDULES .....</b>                        | <b>47</b>           |
| <b>STATEMENT FROM AUDITED OFFICIAL .....</b>                      | <b>57</b>           |

---

---

## EXECUTIVE SUMMARY

---

---

### 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, 2004, 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 Internal Control and on Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Food Donation, Child Nutrition Cluster, and Special Education Cluster 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. However, we did note a compliance and internal control finding that is summarized below.

#### Federal Awards Finding No. 1: Employee Time and Effort Reporting

The District paid salaries and benefits totaling \$1,455,253.06 to 84 employees from its Special Education—Grants to States program; however, the required certifications or personnel activity reports were not prepared for these Federally-funded employees.

### 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, 2004. 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 grant agreements.

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 grant agreements;
- Complied with the various provisions of law, administrative rules, regulations, contracts, and grant agreements governing the conduct of its public affairs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in report No. 2004-138.

### 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*.

**Statement from Audited Official**

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Indian River County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report are shown on page 57.

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](mailto: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 at <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.

---

---

**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 Funds.***

***EXHIBIT – L Notes to Financial Statements.***

***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

***EXHIBIT – M Budgetary Comparison Schedule – General Fund.***



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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, 2004, which collectively comprise the District's basic financial statements as listed on page 1. 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 on the basic financial statements, 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 6 percent and 20 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, 2004, 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, 2004, 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 our 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 grant agreements and other matters included under the heading ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

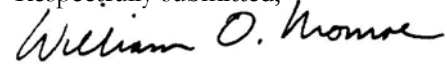
The Management's Discussion and Analysis (pages 5 through 11) and the Budgetary Comparison Schedule (shown as exhibit M) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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

February 4, 2005

---

---

**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 12 through 45.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2003-04 fiscal year are as follows:

- The Florida Legislature passed legislation on three additional claims bills, totaling \$657,500, against the Indian River County School District on the behalf of various families involved in a 1999 bus accident.
- \$5.3 million was spent on major renovations of Vero Beach High School, including the continuing construction of a new auditorium to be completed in the 2004-05 fiscal year.
- A final payment of \$3.6 million was made to Indian River County for the Transportation Joint-Use Facility. The building was occupied by both agencies in March of 2004.
- The District continued its contract with Blue Cross/Blue Shield (BCBS) for the administration of its health self-insurance plan in 2003-04. Deep discounts contained in the provider network have resulted in a stable financial position for the self-insurance fund, enabling the District to maintain the same group rates as the previous year.

**NON-FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2003-04 fiscal year are as follows:

- In an effort to comply with Florida's Class Size Constitutional Amendment, thirty-one (31) additional teachers were hired to meet the goal of reducing class size by an average of two students per grade grouping (K-3, 4-8, 9-12). The District met the requirements of the Constitutional Amendment for the 2003-04 fiscal year.
- The District's student enrollment increased by 680 students, or 4 percent, over the preceding fiscal year.
- The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) conducted a Best Financial Management Practices Review of the Indian River County School District. In accordance with Florida law, OPPAGA and Auditor General Staff assessed the performance of the District in 10 managerial and operational areas. In August of 2003, OPPAGA released the results of the review, which found that the District met 89 percent (132 of 148) of the applicable best practices.

**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 three 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 Charter High School, Inc.; North County Charter School, Inc.; Sebastian Charter Junior High, Inc.; Indian River Academy Charter School, Inc.; and Saint Peter's Human Services, Inc. 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. Financial information for these component units is reported separately from the financial information presented for the primary government.

### **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, Capital Projects – Local Capital Improvement Fund, and Capital Projects - Other 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 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 the internal service fund to account for 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, 2004, compared to net assets as of June 30, 2003:

|                              | <b>Net Assets, End of Year</b> |                          |
|------------------------------|--------------------------------|--------------------------|
|                              | Governmental<br>Activities     |                          |
|                              | 6-30-04                        | 6-30-03                  |
| Current and Other Assets     | \$ 43,189,346.75               | \$ 33,751,472.44         |
| Capital Assets               | 155,480,620.06                 | 145,620,587.95           |
| <b>Total Assets</b>          | <b>198,669,966.81</b>          | <b>179,372,060.39</b>    |
| Long-Term Liabilities        | 45,982,493.90                  | 50,772,140.33            |
| Other Liabilities            | 7,240,404.53                   | 5,485,044.26             |
| <b>Total Liabilities</b>     | <b>53,222,898.43</b>           | <b>56,257,184.59</b>     |
| Net Assets:                  |                                |                          |
| Invested in Capital Assets - |                                |                          |
| Net of Debt                  | 118,226,594.47                 | 104,340,587.95           |
| Restricted                   | 20,137,487.64                  | 14,341,707.62            |
| Unrestricted                 | 7,082,986.27                   | 4,432,580.23             |
| <b>Total Net Assets</b>      | <b>\$ 145,447,068.38</b>       | <b>\$ 123,114,875.80</b> |

The largest portion of the District's net assets (81 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 (14 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (5 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, 2004, and June 30, 2003, are as follows:

|  | <b>Operating Results for the Year</b> |                         |
|--|---------------------------------------|-------------------------|
|  | Governmental                          |                         |
|  | Activities                            |                         |
|  | <u>6-30-04</u>                        | <u>6-30-03</u>          |
| Program Revenues:  |                                       |                         |
| Charges for Services   | \$ 3,347,638.55                       | \$ 3,212,306.90         |
| Operating Grants and Contributions                           | 7,624,530.61                          | 7,370,132.39            |
| Capital Grants and Contributions                             | 6,878,921.71                          | 2,248,207.94            |
| General Revenues:  |                                       |                         |
| Property Taxes Levied for Operational Purposes               | 64,505,570.22                         | 55,808,160.67           |
| Property Taxes Levied for Debt Service                       | 5,551,642.18                          | 5,747,763.96            |
| Property Taxes Levied for Capital Projects                   | 20,855,785.82                         | 18,157,917.15           |
| Grants and Contributions Not Restricted to Specific Programs | 28,381,344.54                         | 30,686,360.06           |
| Unrestricted Investment Earnings                             | 484,700.85                            | 586,042.14              |
| Miscellaneous  | 5,985,268.95                          | 3,118,169.54            |
| <b>Total Revenues</b>  | <u>143,615,403.43</u>                 | <u>126,935,060.75</u>   |
| Functions/Program Expenses:                                  |                                       |                         |
| Instruction  | 59,974,406.45                         | 53,742,008.55           |
| Pupil Personnel Services                                     | 3,758,796.77                          | 3,753,364.87            |
| Instructional Media Services                                 | 1,844,885.85                          | 1,670,221.83            |
| Instruction and Curriculum Development Services              | 5,250,835.87                          | 4,964,585.22            |
| Instructional Staff Training                                 | 768,666.07                            | 747,363.32              |
| Board of Education   | 159,901.59                            | 882,114.37              |
| General Administration                                       | 637,924.98                            | 551,025.10              |
| School Administration  | 6,114,883.67                          | 5,776,126.10            |
| Facilities Acquisition and Construction                      | 4,283,491.54                          | 4,920,678.04            |
| Fiscal Services  | 980,312.08                            | 935,034.79              |
| Food Services  | 6,554,531.87                          | 6,282,265.74            |
| Central Services   | 3,757,032.94                          | 3,187,893.04            |
| Pupil Transportation Services                                | 3,432,281.87                          | 3,255,969.73            |
| Operation of Plant   | 9,479,354.37                          | 8,354,601.69            |
| Maintenance of Plant   | 3,102,016.68                          | 2,836,040.54            |
| Community Services   | 1,025,900.63                          | 1,037,065.66            |
| Interest on Long-Term Debt                                   | 1,686,563.33                          | 2,425,196.63            |
| Unallocated Depreciation Expenses                            | 7,801,905.58                          | 7,349,503.50            |
| Loss on Disposal of Capital Assets                           | 127,200.54                            | 972,246.96              |
| Extraordinary Item (Claims Settlement)                       | 542,318.17                            | 370,000.00              |
| <b>Total Functions/Program Expenses</b>                      | <u>121,283,210.85</u>                 | <u>114,013,305.68</u>   |
| <b>Increase in Net Assets</b>                                | <u>\$ 22,332,192.58</u>               | <u>\$ 12,921,755.07</u> |

The largest revenue source is the local district school taxes (63 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 49 percent of total governmental expenses in the 2003-04 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 is \$9,514,596.15, while the total fund balance is \$12,512,303.81. The unreserved fund balance decreased by \$500,323.92, while the total fund balance increased by \$1,126,567.34 during the fiscal year.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$10,640,726.38, 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 Capital Projects – Other Fund has a total fund balance of \$4,571,196.68, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased in the current year due to the receipt of class size reduction funds in the 2003-04 fiscal year.

#### **Proprietary Fund**

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-insurance plan. The deeply discounted rate structure resulted in financial stability of this fund. The balance of the net assets of the fund is \$4,670,551.02 at June 30, 2004.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the 2003-04 fiscal year, the District improved its financial solvency. The District continued to maintain a minimum unreserved fund balance of 3 percent of operating revenue in order to maintain a strong financial base.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$155,480,620.06 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and 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 6.8 percent.

Major capital asset events during the current fiscal year included additions and renovations of Vero Beach High School's auditorium and the final payment and occupancy of the Transportation Joint-Use Facility.

#### **Long-Term Debt**

At June 30, 2004, the District has total long-term debt outstanding of \$37,254,025.59. This amount is comprised of \$219,025.59 of obligations under capital leases and \$37,035,000 of bonds payable. During the year, retirement of debt amounted to \$4,357,804.24.

Additional information on the District's long-term debt can be found in Notes 5 through 8 to the financial statements.

**OTHER MATTERS OF SIGNIFICANCE**

The unemployment rate for the District (Indian River County, Florida) is currently 8.3 percent, which is down 2.4 percent from a year ago. This compares unfavorably to the State's average unemployment rate of 4.6 percent. The increased issuance of building permits in the county, coupled with large proportionate increases in student growth, has prompted the School Board to begin planning for the construction of additional schools. Additionally, capital resources will be focused to accommodate newly-hired teachers as a result of Florida's Class Size Constitutional Amendment. All of these factors were considered in preparing the District budget for the 2004-05 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 25<sup>th</sup> Street, Vero Beach, FL 32960



**EXHIBIT - A**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

|   | Primary<br>Government<br>Governmental<br>Activities | Component<br>Units     |
|---|---|------------------------|
| <b>ASSETS</b>                                     |   |                        |
| Cash  | \$ 1,052,475.56                                     | \$ 1,262,883.00        |
| Investments                                       | 36,362,313.56                                       | 169,216.00             |
| Accounts Receivable                               | 62,827.19   | 8,127.00               |
| Interest Receivable                               |   | 4,105.00               |
| Prepaid Items                                     |   | 9,294.00               |
| Due from Other Agencies                           | 5,082,627.34  | 641,309.00             |
| Inventories                                       | 629,103.10  |                        |
| Capital Assets:                                   |   |                        |
| Land  | 6,087,805.55  | 218,232.00             |
| Land Improvements - Nondepreciable                | 189,729.10  | 7,187.00               |
| Timeshare Interest - Nondepreciable               |   | 10,000.00              |
| Construction in Progress                          | 7,169,650.27  | 1,760,479.00           |
| Improvements Other Than Buildings, Net            | 4,640,119.19  | 316,531.00             |
| Buildings and Fixed Equipment, Net                | 126,215,111.63                                      | 1,573,625.00           |
| Furniture, Fixtures, and Equipment, Net           | 6,759,333.12  | 287,297.00             |
| Motor Vehicles, Net                               | 3,065,974.74  |                        |
| Property Under Capital Lease, Net                 | 306,383.02  | 16,304.00              |
| Audio Visual Materials and Computer Software, Net | 1,046,513.44  | 4,785.00               |
| Unamortized Debt Issue Cost, Net                  |   | 91,564.00              |
|   | <b>\$ 198,669,966.81</b>                            | <b>\$ 6,380,938.00</b> |
| <b>LIABILITIES</b>                                |   |                        |
| Salaries and Benefits Payable                     | \$ 408,943.40                                       | \$                     |
| Payroll Deductions and Withholdings               | 290,891.23  | 128.00                 |
| Accounts Payable                                  | 879,078.39  | 124,866.00             |
| Construction Contracts Payable                    | 1,342,254.57  | 569,865.00             |
| Construction Contracts Payable - Retainage        | 485,551.06  |                        |
| Due to Other Agencies                             | 898,999.53  |                        |
| Accrued Interest Payable                          | 366,296.25  |                        |
| Deferred Revenue                                  | 1,194,488.93  | 50,049.00              |
| Judgments Payable                                 | 367,318.17  |                        |
| Estimated Insurance Claims Payable                | 1,006,583.00  |                        |
| Long-Term Liabilities:                            |   |                        |
| Portion Due Within One Year:                      |   |                        |
| Notes Payable                                     |   | 66,915.00              |
| Obligations Under Capital Lease                   | 103,835.68  | 5,001.00               |
| Bonds Payable                                     | 4,365,000.00  |                        |
| Estimated Long-Term Claims Payable                | 366,875.00  |                        |
| Compensated Absences Payable                      | 1,572,396.24  |                        |
| Portion Due After One Year:                       |   |                        |
| Notes Payable                                     |   | 1,562,599.00           |
| Obligations Under Capital Lease                   | 115,189.91  | 11,297.00              |
| Bonds Payable                                     | 32,670,000.00                                       |                        |
| Estimated Long-Term Claims Payable                | 452,894.23  |                        |
| Compensated Absences Payable                      | 6,336,302.84  |                        |
|   | <b>53,222,898.43</b>                                | <b>2,390,720.00</b>    |
| <b>NET ASSETS</b>                                 |   |                        |
| Invested in Capital Assets, Net of Related Debt   | 118,226,594.47                                      | 2,640,192.00           |
| Restricted for:                                   |   |                        |
| State Categorical Programs                        | 2,127,031.42  |                        |
| Debt Service                                      | 1,238,347.32  |                        |
| Capital Projects                                  | 16,772,108.90                                       | 707,187.00             |
| Unrestricted                                      | 7,082,986.27  | 642,839.00             |
|   | <b>145,447,068.38</b>                               | <b>3,990,218.00</b>    |
| <b>Total Net Assets</b>                           | <b>\$ 198,669,966.81</b>                            | <b>\$ 6,380,938.00</b> |

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**EXHIBIT - B**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2004**

| Functions/Programs   | Expenses                 | Program Revenues           |  |  |
|--|--------------------------|----------------------------|--|--|
|  |                          | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary Government</b>                                    |                          |                            |  |  |
| <b>Governmental Activities:</b>                              |                          |                            |  |  |
| Instruction  | \$ 59,974,406.45         | \$ 221,180.16              | \$                                       | \$                                     |
| Pupil Personnel Services                                     | 3,758,796.77             |                            |  |  |
| Instructional Media Services                                 | 1,844,885.85             |                            |  |  |
| Instruction and Curriculum Development Services              | 5,250,835.87             |                            |  |  |
| Instructional Staff Training                                 | 768,666.07               |                            |  |  |
| Board of Education   | 159,901.59               |                            |  |  |
| General Administration                                       | 637,924.98               |                            |  |  |
| School Administration  | 6,114,883.67             |                            |  |  |
| Facilities Acquisition and Construction                      | 4,283,491.54             |                            |  | 6,797,387.03                           |
| Fiscal Services  | 980,312.08               |                            |  |  |
| Food Services  | 6,554,531.87             | 2,158,512.97               | 4,464,908.61                             |  |
| Central Services   | 3,757,032.94             |                            |  |  |
| Pupil Transportation Services                                | 3,432,281.87             | 16,720.63                  | 3,159,622.00                             |  |
| Operation of Plant   | 9,479,354.37             |                            |  |  |
| Maintenance of Plant   | 3,102,016.68             |                            |  |  |
| Community Services   | 1,025,900.63             | 951,224.79                 |  |  |
| Interest on Long-Term Debt                                   | 1,686,563.33             |                            |  | 81,534.68                              |
| Unallocated Depreciation Expenses                            | 7,801,905.58             |                            |  |  |
| Loss on Disposal of Capital Assets                           | 127,200.54               |                            |  |  |
| <b>Total Primary Government</b>                              | <b>\$ 120,740,892.68</b> | <b>\$ 3,347,638.55</b>     | <b>\$ 7,624,530.61</b>                   | <b>\$ 6,878,921.71</b>                 |
| <b>Component Units</b>                                       |                          |                            |  |  |
| Charter Schools  | \$ 4,902,682.00          | \$ 175,546.00              | \$ 204,792.00                            | \$ 175,041.00                          |
| 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 Items:   |                          |                            |  |  |
| Claims Settlement  |                          |                            |  |  |
| <b>Total General Revenue and Extraordinary Items</b>         |                          |                            |  |  |
| <b>Change in Net Assets</b>                                  |                          |                            |  |  |
| Net Assets - July 1, 2003                                    |                          |                            |  |  |
| <b>Net Assets - June 30, 2004</b>                            |                          |                            |  |  |

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

**EXHIBIT - B**

| Net (Expenses), Revenues, and<br>Changes in Net Assets |                        |
|--|------------------------|
| <u>Primary Government</u>                              | <u>Component</u>       |
| <u>Governmental</u>                                    | <u>Units</u>           |
| <u>Activities</u>                                      |                        |
| \$ (59,753,226.29)                                     | \$                     |
| (3,758,796.77)   |                        |
| (1,844,885.85)   |                        |
| (5,250,835.87)   |                        |
| (768,666.07)   |                        |
| (159,901.59)   |                        |
| (637,924.98)   |                        |
| (6,114,883.67)   |                        |
| 2,513,895.49   |                        |
| (980,312.08)   |                        |
| 68,889.71  |                        |
| (3,757,032.94)   |                        |
| (255,939.24)   |                        |
| (9,479,354.37)   |                        |
| (3,102,016.68)   |                        |
| (74,675.84)  |                        |
| (1,605,028.65)   |                        |
| (7,801,905.58)   |                        |
| <u>(127,200.54)</u>                                    |                        |
| <u>(102,889,801.81)</u>                                |                        |
|  | <u>(4,347,303.00)</u>  |
| 64,505,570.22  |                        |
| 5,551,642.18   |                        |
| 20,855,785.82  |                        |
| 28,381,344.54  | 5,214,863.00           |
| 484,700.85   | 13,441.00              |
| 5,985,268.95   | 115,163.00             |
| <u>(542,318.17)</u>                                    |                        |
| <u>125,221,994.39</u>                                  | <u>5,343,467.00</u>    |
| 22,332,192.58  | 996,164.00             |
| <u>123,114,875.80</u>                                  | <u>2,994,054.00</u>    |
| <u>\$ 145,447,068.38</u>                               | <u>\$ 3,990,218.00</u> |

**EXHIBIT - C**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2004**

|  | <u>General<br/>Fund</u> | <u>Capital<br/>Projects -<br/>Local Capital<br/>Improvement Fund</u> | <u>Capital<br/>Projects -<br/>Other<br/>Fund</u> |
|--|-------------------------|--|--|
| <b>ASSETS</b>                              |                         |  |  |
| Cash                                       | \$ 874,926.04           | \$   | \$   |
| Investments                                | 13,637,817.51           | 13,113,505.16  | 93,205.78  |
| Accounts Receivable                        | 60,955.92               | 337.27   |  |
| Due from Other Funds                       | 283,736.18              | 164,003.42   |  |
| Due from Other Agencies                    | 162,723.17              |  | 4,489,580.90                                     |
| Inventories                                | 335,030.97              |  |  |
| <b>TOTAL ASSETS</b>                        | <u>\$ 15,355,189.79</u> | <u>\$ 13,277,845.85</u>  | <u>\$ 4,582,786.68</u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                         |  |  |
| Liabilities:                               |                         |  |  |
| Salaries and Benefits Payable              | \$ 136,072.08           | \$   | \$   |
| Payroll Deductions and Withholding         | 143,849.49              |  |  |
| Accounts Payable                           | 598,280.85              | 205,126.57   |  |
| Construction Contracts Payable             |                         | 1,253,105.09   |  |
| Construction Contracts Payable - Retainage |                         | 485,551.06   |  |
| Due to Other Funds                         | 688,523.32              | 693,336.75   | 11,590.00  |
| Due to Other Agencies                      | 878,999.18              |  |  |
| Deferred Revenue                           | 29,842.89               |  |  |
| Judgments Payable                          | 367,318.17              |  |  |
| <b>Total Liabilities</b>                   | <u>2,842,885.98</u>     | <u>2,637,119.47</u>  | <u>11,590.00</u>                                 |
| Fund Balances:                             |                         |  |  |
| Reserved for State Categorical Programs    | 2,127,031.42            |  |  |
| Reserved for Encumbrances                  | 535,645.27              | 6,030,464.18   | 2,739,576.00                                     |
| Reserved for Inventories                   | 335,030.97              |  |  |
| Reserved for Debt Service                  |                         |  |  |
| Unreserved                                 | 9,514,596.15            | 4,610,262.20   | 1,831,620.68                                     |
| Unreserved, Reported in Nonmajor:          |                         |  |  |
| Special Revenue Funds                      |                         |  |  |
| Capital Projects Funds                     |                         |  |  |
| <b>Total Fund Balances</b>                 | <u>12,512,303.81</u>    | <u>10,640,726.38</u>   | <u>4,571,196.68</u>                              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 15,355,189.79</u> | <u>\$ 13,277,845.85</u>  | <u>\$ 4,582,786.68</u>                           |

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

**EXHIBIT - C**

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| <u>                    </u>    | <u>                    </u>    |
| \$ 111,975.41                  | \$ 986,901.45                  |
| 3,543,212.05                   | 30,387,740.50                  |
|                                | 61,293.19                      |
| 528,188.67                     | 975,928.27                     |
| 430,323.27                     | 5,082,627.34                   |
| 294,072.13                     | 629,103.10                     |
| <u>                    </u>    | <u>                    </u>    |
| \$ 4,907,771.53                | \$ 38,123,593.85               |
| <u>                    </u>    | <u>                    </u>    |
| <br>                           |                                |
| \$ 272,871.32                  | \$ 408,943.40                  |
| 147,041.74                     | 290,891.23                     |
| 37,665.05                      | 841,072.47                     |
| 89,149.48                      | 1,342,254.57                   |
|                                | 485,551.06                     |
| 381,959.35                     | 1,775,409.42                   |
| 20,000.35                      | 898,999.53                     |
| 38,623.66                      | 68,466.55                      |
| <u>                    </u>    | <u>                    </u>    |
| 987,310.95                     | 6,478,906.40                   |
| <br>                           |                                |
|                                | 2,127,031.42                   |
|                                | 9,305,685.45                   |
|                                | 335,030.97                     |
| 1,238,347.32                   | 1,238,347.32                   |
|                                | 15,956,479.03                  |
|                                |                                |
| 1,121,927.42                   | 1,121,927.42                   |
| 1,560,185.84                   | 1,560,185.84                   |
| <u>                    </u>    | <u>                    </u>    |
| 3,920,460.58                   | 31,644,687.45                  |
| <u>                    </u>    | <u>                    </u>    |
| \$ 4,907,771.53                | \$ 38,123,593.85               |
| <u>                    </u>    | <u>                    </u>    |

**EXHIBIT - D  
INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004**

|  |               |                          |
|--|---------------|--------------------------|
| <b>Total Fund Balances - Governmental Funds</b>  |               | \$ 31,644,687.45         |
| Amounts reported for governmental activities in the statement of net assets are different because:   |               |                          |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   |               | 155,480,620.06           |
| 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 fund are included in governmental activities in the statement of net assets. |               | 4,670,551.02             |
| 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.   |               | (366,296.25)             |
| 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:   |               |                          |
| Estimated Long-Term Claims Payable   | \$ 819,769.23 |                          |
| Obligations Under Capital Leases   | 219,025.59    |                          |
| Bonds Payable  | 37,035,000.00 |                          |
| Compensated Absences Payable   | 7,908,699.08  | (45,982,493.90)          |
|  |               |                          |
| <b>Total Net Assets - Governmental Activities</b>  |               | <b>\$ 145,447,068.38</b> |

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**



**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, 2004**

|  | General<br>Fund             | Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Capital<br>Projects -<br>Other<br>Fund |
|--|-----------------------------|--|--|
| <b>Revenues</b>  | <u>                    </u> | <u>                    </u>                                | <u>                    </u>            |
| Intergovernmental:                                       |                             |  |  |
| Federal Direct   | \$ 94,592.99                | \$   | \$                                     |
| Federal Through State                                    | 19,308.48                   |  |  |
| Federal Through Local State                              | 28,676,761.49               |  | 4,502,404.59                           |
| Local  | <u>67,377,545.97</u>        | <u>21,010,882.57</u>                                       | <u>1,227.90</u>                        |
| <b>Total Revenues</b>                                    | <u>96,168,208.93</u>        | <u>21,010,882.57</u>                                       | <u>4,503,632.49</u>                    |
| <b>Expenditures</b>                                      |                             |  |  |
| Current - Education:                                     |                             |  |  |
| Instruction  | 57,694,626.94               |  |  |
| Pupil Personnel Services                                 | 2,929,067.83                |  |  |
| Instructional Media Services                             | 1,841,897.45                |  |  |
| Instruction and Curriculum Development Services          | 4,163,512.27                |  |  |
| Instructional Staff Training                             | 492,630.28                  |  |  |
| Board of Education                                       | 1,234,280.82                |  |  |
| General Administration                                   | 357,044.82                  |  |  |
| School Administration                                    | 6,031,562.95                |  |  |
| Facilities Acquisition and Construction                  | 916,199.84                  | 3,531,144.12   | 624.57                                 |
| Fiscal Services  | 960,659.97                  |  |  |
| Food Services  | 37,953.10                   |  |  |
| Central Services   | 3,775,752.67                |  |  |
| Pupil Transportation Services                            | 3,417,364.50                |  |  |
| Operation of Plant                                       | 9,443,463.63                |  |  |
| Maintenance of Plant                                     | 3,077,894.90                |  |  |
| Community Services                                       | 993,046.41                  |  |  |
| Fixed Capital Outlay:                                    |                             |  |  |
| Facilities Acquisition and Construction                  | 3,317.87                    | 12,076,763.92  | 17,161.85                              |
| Other Capital Outlay                                     | 587,133.33                  | 2,563,450.62   |  |
| Debt Service:  |                             |  |  |
| Principal  |                             |  |  |
| Interest and Fiscal Charges                              | <u>9,454.08</u>             |  |  |
| <b>Total Expenditures</b>                                | <u>97,966,863.66</u>        | <u>18,171,358.66</u>                                       | <u>17,786.42</u>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>(1,798,654.73)</u>       | <u>2,839,523.91</u>  | <u>4,485,846.07</u>                    |
| <b>Other Financing Sources (Uses)</b>                    |                             |  |  |
| Transfers In   | 2,850,000.00                |  |  |
| Proceeds from Sale of Capital Assets                     | 68,963.13                   |  |  |
| Insurance Loss Recoveries                                | 6,258.94                    |  |  |
| Transfers Out  |                             | <u>(2,858,304.02)</u>                                      |  |
| <b>Total Other Financing Sources (Uses)</b>              | <u>2,925,222.07</u>         | <u>(2,858,304.02)</u>                                      |  |
| <b>Net Change in Fund Balances</b>                       | 1,126,567.34                | (18,780.11)  | 4,485,846.07                           |
| Fund Balances, July 1, 2003                              | <u>11,385,736.47</u>        | <u>10,659,506.49</u>                                       | <u>85,350.61</u>                       |
| <b>Fund Balances, June 30, 2004</b>                      | <u>\$ 12,512,303.81</u>     | <u>\$ 10,640,726.38</u>                                    | <u>\$ 4,571,196.68</u>                 |

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



**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, 2004**

**Net Change in Fund Balances - Governmental Funds** \$ 5,292,066.18

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

Capital outlays are reported in the 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. 10,062,454.72

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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. This is the amount by which repayments exceeded proceeds in the current period. 4,025,974.41

The net change in estimated long-term claims payable is reported in the statement of activities, but not in the governmental funds statement. 1,075,139.18

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, proceeds from the sale of capital assets are recognized as an other financing source in the current period, while 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 balance by the undepreciated cost of the disposed assets. (202,422.61)

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. (311,467.16)

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, less amount accrued in the prior year. 28,537.50

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. 2,361,910.36

**Change in Net Assets - Governmental Activities** \$ 22,332,192.58

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, 2004**

|   |           | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|---|-----------|---|
|   |           | <u>                    </u>                                 |
| <b>ASSETS</b>                           |           |   |
| Current Assets:                         |           |   |
| Cash                                    | \$        | 65,574.11   |
| Investments                             |           | 5,974,573.06  |
| Accounts Receivable                     |           | 1,534.00  |
| Due From Other Funds                    |           | 813,688.25  |
|   |           | <u>                    </u>                                 |
| <b>Total Assets</b>                     | <b>\$</b> | <b><u>6,855,369.42</u></b>                                  |
| <br><b>LIABILITIES</b>                  |           |   |
| Current Liabilities:                    |           |   |
| Accounts Payable                        | \$        | 50,654.15   |
| Due to Other Funds                      |           | 1,558.87  |
| Deferred Revenue                        |           | 1,126,022.38  |
| Estimated Insurance Claims Payable      |           | 1,006,583.00  |
|   |           | <u>                    </u>                                 |
| <b>Total Liabilities</b>                |           | <b><u>2,184,818.40</u></b>                                  |
| <br><b>NET ASSETS</b>                   |           |   |
| Unrestricted                            |           | <u>4,670,551.02</u>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$</b> | <b><u>6,855,369.42</u></b>                                  |

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, 2004**

|  | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|--|---|
|  |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Cash Received from Premiums  | \$ 14,100,154.47  |
| Cash Received from Other Operating Revenues  | 39,599.62   |
| Cash Payments to Suppliers for Goods and Services  | (1,373,776.30)  |
| Cash Payments for Insurance Claims   | (8,063,441.93)  |
| Cash Payment for Other Fees  | (1,682,293.78)  |
|  | 3,020,242.08  |
| <b>Net Cash Provided by Operating Activities</b>   |   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                     |   |
| Other  | 239,118.55  |
|  | 239,118.55  |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                                |   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |
| Purchase of Investments  | (3,244,397.59)  |
| Interest Income  | 50,611.07   |
|  | (3,193,786.52)  |
| <b>Net Cash Used by Investing Activities</b>   |   |
| <b>Net Increase in Cash</b>  | 65,574.11   |
| Cash, Beginning  |   |
| <b>Cash, Ending</b>  | \$ 65,574.11  |
| <br>   |   |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>    |   |
| Operating Income   | \$ 2,072,180.74   |
| Adjustments to Reconcile Operating Income to Net Cash Provided<br>by Operating Activities: |   |
| Changes in Assets and Liabilities:   |   |
| Increase in Accounts Receivable  | (1,534.00)  |
| Increase in Due From Other Funds   | (812,723.25)  |
| Decrease in Prepaid Expenses   | 445,516.19  |
| Increase in Accounts Payable   | 50,654.15   |
| Increase in Due To Other Funds   | 1,558.87  |
| Increase in Deferred Revenues  | 1,126,022.38  |
| Increase in Estimated Insurance Claims Payable   | 138,567.00  |
|  | 948,061.34  |
| <b>Total Adjustments</b>   |   |
| <b>Net Cash Provided by Operating Activities</b>   | \$ 3,020,242.08   |

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, 2004**

|   | Private-Purpose<br>Trust<br>Fund | Agency<br>Funds<br>(Unaudited) |
|---|----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                                  |                                |
| Cash  | \$ 1,221.09                      | \$ 313,292.98                  |
| Investments   | 77,779.12                        | 622,527.85                     |
| Accounts Receivable, Net                                    |                                  | 8,110.00                       |
| <b>TOTAL ASSETS</b>   | <b>\$ 79,000.21</b>              | <b>\$ 943,930.83</b>           |
| <b>LIABILITIES</b>  |                                  |                                |
| Accounts Payable  | \$                               | \$ 651.79                      |
| Due to Other Agencies                                       |                                  | 111,747.06                     |
| Internal Accounts Payable                                   |                                  | 818,883.75                     |
| Due to Other Funds  |                                  | 12,648.23                      |
| <b>Total Liabilities</b>                                    |                                  | <b>\$ 943,930.83</b>           |
| <b>NET ASSETS</b>   |                                  |                                |
| Assets Held in Trust for Scholarships<br>and Other Purposes | 79,000.21                        |                                |
| <b>Total Net Assets</b>                                     | <b>79,000.21</b>                 |                                |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                     | <b>\$ 79,000.21</b>              |                                |

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, 2004**

|  | Private-Purpose<br>Trust<br>Fund |
|--|----------------------------------|
|  | <u>                    </u>      |
| <b>ADDITIONS</b>                               |                                  |
| <b>Investment Earnings:</b>                    |                                  |
| Net Decrease in Fair Value of Investments      | \$ (2,004.29)                    |
| Interest, Dividends, and Other                 | <u>2,188.56</u>                  |
| <b>Total Investment Earnings</b>               | <u>184.27</u>                    |
| <br>   |                                  |
| <b>DEDUCTIONS</b>                              |                                  |
| Other Expenses                                 | <u>2,000.00</u>                  |
| <br>   |                                  |
| <b>Change in Net Assets Held in Trust for:</b> |                                  |
| Scholarships for Individuals                   | (1,815.73)                       |
| <br>   |                                  |
| Net Assets, July 1, 2003                       | <u>80,815.94</u>                 |
| <br>   |                                  |
| <b>Net Assets, June 30, 2004</b>               | <u>\$ 79,000.21</u>              |

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, 2004**

**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 K through 5, 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 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, 2004**

the Charter Schools for the fiscal year ended June 30, 2004, 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.
- 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 and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for financial resources generated by other capital projects.

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, 2004**

- 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 2003-04 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 fund's 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, 2004**

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 fair value which is amortized cost.

Investments made locally consist of United States Government Securities and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost 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

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               |
| Assets Under Capital Leases                  | 3 - 5 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, 2004**

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

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

The School Board adopted the 2003 tax levy on September 9, 2003. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

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:

- Risk Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

- 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, 2004, are in the State Board of Administration investment pool with an amortized cost of \$37,014,781.21 and United States Government Securities with a fair value of \$47,839.32.

**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, 2004**

|   | Balance<br>7-1-03        | Additions               | Deletions              | Balance<br>6-30-04       |
|---|--------------------------|-------------------------|------------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                    |                          |                         |                        |                          |
| Capital Assets Not Being Depreciated:             |                          |                         |                        |                          |
| Land  | \$ 5,823,494.80          | \$ 264,310.75           | \$                     | \$ 6,087,805.55          |
| Improvements Other Than Buildings, Nondepreciable | 189,729.10               |                         |                        | 189,729.10               |
| Construction in Progress                          | 694,193.18               | 12,808,197.91           | 6,332,740.82           | 7,169,650.27             |
|   | <u>6,707,417.08</u>      | <u>13,072,508.66</u>    | <u>6,332,740.82</u>    | <u>13,447,184.92</u>     |
| Total Capital Assets Not Being Depreciated        |                          |                         |                        |                          |
| Capital Assets Being Depreciated:                 |                          |                         |                        |                          |
| Improvements Other Than Buildings                 | 10,094,857.62            | 724,883.41              |                        | 10,819,741.03            |
| Buildings and Fixed Equipment                     | 163,042,480.37           | 6,332,740.82            |                        | 169,375,221.19           |
| Furniture, Fixtures, and Equipment                | 20,992,092.31            | 2,338,816.66            | 1,562,184.76           | 21,768,724.21            |
| Motor Vehicles                                    | 6,425,294.57             | 733,433.00              | 504,413.30             | 6,654,314.27             |
| Property Under Capital Lease                      |                          | 331,829.83              |                        | 331,829.83               |
| Audio Visual Materials and<br>Computer Software   | 1,546,336.56             | 662,888.74              | 40,845.40              | 2,168,379.90             |
|   | <u>202,101,061.43</u>    | <u>11,124,592.46</u>    | <u>2,107,443.46</u>    | <u>211,118,210.43</u>    |
| Total Capital Assets Being Depreciated            |                          |                         |                        |                          |
| Less Accumulated Depreciation for:                |                          |                         |                        |                          |
| Improvements Other Than Buildings                 | 5,681,524.91             | 498,096.93              |                        | 6,179,621.84             |
| Buildings and Fixed Equipment                     | 39,339,725.03            | 3,820,384.53            |                        | 43,160,109.56            |
| Furniture, Fixtures, and Equipment                | 13,790,222.33            | 2,658,944.91            | 1,439,776.15           | 15,009,391.09            |
| Motor Vehicles                                    | 3,613,883.57             | 418,367.72              | 443,911.76             | 3,588,339.53             |
| Property Under Capital Lease                      |                          | 25,446.81               |                        | 25,446.81                |
| Audio Visual Materials and<br>Computer Software   | 762,534.72               | 380,664.68              | 21,332.94              | 1,121,866.46             |
|   | <u>63,187,890.56</u>     | <u>7,801,905.58</u>     | <u>1,905,020.85</u>    | <u>69,084,775.29</u>     |
| Total Accumulated Depreciation                    |                          |                         |                        |                          |
| Total Capital Assets Being Depreciated, Net       | <u>138,913,170.87</u>    | <u>3,322,686.88</u>     | <u>202,422.61</u>      | <u>142,033,435.14</u>    |
| Governmental Activities Capital Assets, Net       | <u>\$ 145,620,587.95</u> | <u>\$ 16,395,195.54</u> | <u>\$ 6,535,163.43</u> | <u>\$ 155,480,620.06</u> |

The classes of property under capital leases are presented in Note 5.

The District's capital assets serve several functions; accordingly, total depreciation expenses of \$7,801,905.58 are reported as "Unallocated Depreciation Expenses" on the Statement of Activities.

**5. OBLIGATIONS UNDER CAPITAL LEASES**

The classes and amounts of property being acquired under capital leases are as follows:



**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

|                           | <u>Asset Balance</u> |
|---------------------------|----------------------|
| Data Processing Equipment | \$ 295,978.95        |
| Other Office Equipment    | 35,850.88            |
| <b>Total</b>              | <b>\$ 331,829.83</b> |

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

| <u>Fiscal Year Ending June 30</u>   | <u>Total</u>         | <u>Principal</u>     | <u>Interest</u>     |
|-------------------------------------|----------------------|----------------------|---------------------|
| 2005                                | \$ 117,594.02        | \$ 103,835.68        | \$ 13,758.34        |
| 2006                                | 117,594.02           | 110,479.09           | 7,114.93            |
| 2007                                | 4,762.97             | 4,710.82             | 52.15               |
| <b>Total Minimum Lease Payments</b> | <b>\$ 239,951.01</b> | <b>\$ 219,025.59</b> | <b>\$ 20,925.42</b> |

The stated interest rates range from 4.757 to 6.77 percent.

**6. BONDS PAYABLE**

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

| <u>Bond Type</u>                   | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rates<br/>(Percent)</u> | <u>Annual<br/>Maturity<br/>To</u> |
|------------------------------------|-------------------------------|---|-----------------------------------|
| State School Bonds:                |                               |   |                                   |
| Series 1996-B, Refunding           | \$ 220,000                    | 4.375 - 4.625                           | 2007                              |
| District General Obligation Bonds: |                               |   |                                   |
| Series 2002, Refunding             | 21,305,000                    | 2.5 - 5.5                               | 2013                              |
| Series 2003, Refunding             | 15,510,000                    | 2.25 - 5.00                             | 2011                              |
| <b>Total Bonds Payable</b>         | <b>\$ 37,035,000</b>          |   |                                   |

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.

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

➤ **District General Obligation Bonds**

General Obligation Bonds, Series 1991 and 1993, were refinanced during the fiscal year ended June 30, 2003. The General Obligation Bonds, Refunding 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, 2004, are as follows:

| Fiscal Year<br>Ending<br>June 30      | Total                         | Principal                     | Interest                     |
|---------------------------------------|-------------------------------|-------------------------------|------------------------------|
| <b>State School Bonds:</b>            |                               |                               |                              |
| 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>              |
| <b>Total State School Bonds</b>       | <u>240,236.25</u>             | <u>220,000.00</u>             | <u>20,236.25</u>             |
| <b>General Obligation Bonds:</b>      |                               |                               |                              |
| 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                                  | 4,877,897.50                  | 3,925,000.00                  | 952,897.50                   |
| 2010-2013                             | <u>19,793,670.00</u>          | <u>17,580,000.00</u>          | <u>2,213,670.00</u>          |
| <b>Total General Obligation Bonds</b> | <u>45,035,682.50</u>          | <u>36,815,000.00</u>          | <u>8,220,682.50</u>          |
| <b>Total</b>                          | <u><u>\$45,275,918.75</u></u> | <u><u>\$37,035,000.00</u></u> | <u><u>\$8,240,918.75</u></u> |

**7. DEFEASED DEBT**

In prior years, the General Obligation Bonds, Series 1991 and 1993, were defeased in substance by placing a portion of the proceeds of new General Obligation Bonds, Series 2002 and 2003, in an irrevocable trust to provide for all future debt service payments on the old General Obligation Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased General Obligation Bonds are not included in the District's financial statements. On June 30, 2004, General Obligation Bonds, Series 1991 and 1993, totaling \$30,025,000 outstanding are considered defeased in substance.

**8. CHANGES IN LONG-TERM LIABILITIES**

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

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

| Description                        | Balance<br>7-1-03       | Additions              | Deductions             | Balance<br>6-30-04      | Due in<br>One Year     |
|------------------------------------|-------------------------|------------------------|------------------------|-------------------------|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>     |                         |                        |                        |                         |                        |
| Estimated Long-Term Claims Payable | \$ 1,894,908.41         | \$                     | \$ 1,075,139.18        | \$ 819,769.23           | \$ 366,875.00          |
| Obligations Under Capital Leases   |                         | 331,829.83             | 112,804.24             | 219,025.59              | 103,835.68             |
| Bonds Payable                      | 41,280,000.00           |                        | 4,245,000.00           | 37,035,000.00           | 4,365,000.00           |
| Compensated Absences Payable       | <u>7,597,231.92</u>     | <u>1,883,863.40</u>    | <u>1,572,396.24</u>    | <u>7,908,699.08</u>     | <u>1,572,396.24</u>    |
| Total Governmental Activities      | <u>\$ 50,772,140.33</u> | <u>\$ 2,215,693.23</u> | <u>\$ 7,005,339.66</u> | <u>\$ 45,982,493.90</u> | <u>\$ 6,408,106.92</u> |

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

Included in Estimated Long-Term Claims Payable are liabilities related to a bus accident which occurred January 25, 1999, and was awarded by action of the State Legislature. At June 30, 2004, the balance remaining for actual claims payable is \$807,500 due over the next four years. The amount due within one year is \$366,875.

**9. RESERVE FOR ENCUMBRANCES**

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

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

**10. 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                     | \$ 283,736.18          | \$ 688,523.32          |
| Capital Projects:           |                        |                        |
| Local Capital Improvement   | 164,003.42             | 693,336.75             |
| Other                       |                        | 11,590.00              |
| Nonmajor Governmental Funds | 528,188.67             | 381,959.35             |
| Internal Service Fund       | 813,688.25             | 1,558.87               |
| Fiduciary Funds             |                        | <u>12,648.23</u>       |
| Total                       | <u>\$ 1,789,616.52</u> | <u>\$ 1,789,616.52</u> |

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

Interfund receivable and payable balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. The above balances 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                         | \$2,850,000.00        | \$                    |
| Capital Projects:               |                       |                       |
| Local Capital Improvement Funds |                       | 2,858,304.02          |
| Nonmajor Governmental Funds     | <u>113,304.02</u>     | <u>105,000.00</u>     |
| Total                           | <u>\$2,963,304.02</u> | <u>\$2,963,304.02</u> |

Transfers are used for 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 existing building; and moving revenues from one fund to the fund in which the expenditure is required.

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2003-04 fiscal year:

| Source  | Amount                  |
|---|-------------------------|
| Florida Education Finance Program                                   | \$ 15,615,841.00        |
| Categorical Educational Programs:                                   |                         |
| Class Size Reduction  | 2,865,379.00            |
| Discretionary Lottery Funds   | 768,761.00              |
| Other   | 6,771,934.46            |
| Classrooms For Kids   | 4,476,084.00            |
| Gross Receipts Tax (Public Education Capital Outlay)                | 1,766,381.00            |
| Classrooms First Program (via Osceola County District School Board) | 897,039.00              |
| Workforce Development Program                                       | 771,382.00              |
| Motor Vehicle License Tax (Capital Outlay and Debt Service)         | 630,272.00              |
| Charter School Capital Outlay                                       | 463,056.00              |
| Mobile Home License Tax   | 182,370.41              |
| Food Service Supplement   | 173,741.00              |
| Interest on Capital Outlay and Debt Service                         | 6,184.71                |
| Miscellaneous   | <u>360,359.13</u>       |
| Total   | <u>\$ 35,748,784.71</u> |

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

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2003 tax roll for the 2003-04 fiscal year:

|   | <u>Millages</u> | <u>Taxes Levied</u> |
|---|-----------------|---------------------|
| <u>GENERAL FUND</u>                     |                 |                     |
| Nonvoted School Tax:                    |                 |                     |
| Required Local Effort                   | 5.590           | \$59,913,039.00     |
| Basic Discretionary Local Effort        | 0.510           | 5,466,126.00        |
| Supplemental Discretionary Local Effort | 0.079           | 846,714.00          |
| <u>DEBT SERVICE FUNDS</u>               |                 |                     |
| Voted Tax:                              |                 |                     |
| Special Tax School District No. 1       | 0.531           | 5,691,197.00        |
| <u>CAPITAL PROJECTS FUNDS</u>           |                 |                     |
| Nonvoted Tax:                           |                 |                     |
| Local Capital Improvements              | 2.000           | 21,435,801.00       |
| Total                                   | 8.710           | \$93,352,877.00     |

**13. 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 his or her normal retirement date. 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

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may elect to participate for up to 96 months. 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 2003-04 fiscal year, contribution rates were as follows:

| Class or Plan  | Percent of Gross Salary |                 |
|--|-------------------------|-----------------|
|  | Employee                | Employer<br>(A) |
| Florida Retirement System, Regular   | 0.00                    | 7.39            |
| Florida Retirement System, Elected County Officers   | 0.00                    | 15.23           |
| Florida Retirement System, Senior Management Service   | 0.00                    | 9.37            |
| Deferred Retirement Option Program - Applicable to<br>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 0.10 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 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, 2002, June 30, 2003, and June 30, 2004, totaled \$4,196,924.87, \$3,437,075.66, and \$4,467,476.35, 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, 2004, totaled \$342,542.

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

***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 Florida 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 Florida Department of Management Services, Division of Retirement in Tallahassee, Florida.

**14. 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 \$2,571.60 during the 2003-04 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.

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

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.

The District reported a long-term liability totaling \$12,269.23 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.

**15. CONSTRUCTION CONTRACT COMMITMENTS**

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

| Project   | Contract<br>Amount     | Completed<br>to Date   | Balance<br>Committed   |
|---|------------------------|------------------------|------------------------|
| Vero Beach Senior High Auditorium<br>Remodeling & Renovation: |                        |                        |                        |
| Architect   | \$ 488,052.00          | \$ 444,908.00          | \$ 43,144.00           |
| Contractor  | <u>6,951,509.00</u>    | <u>4,793,381.00</u>    | <u>2,158,128.00</u>    |
| Total   | <u>\$ 7,439,561.00</u> | <u>\$ 5,238,289.00</u> | <u>\$ 2,201,272.00</u> |

**16. OPERATING LEASE COMMITMENTS**

The District leases a building for administrative facilities and several copiers 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<br>Ending<br>June 30 | Amount               |
|----------------------------------|----------------------|
| 2005                             | \$ 55,131.27         |
| 2006                             | 52,096.86            |
| 2007                             | 51,211.80            |
| 2008                             | 48,707.88            |
| 2009                             | 46,266.18            |
| 2010-2011                        | <u>90,000.00</u>     |
| Total Minimum Payments Required  | <u>\$ 343,413.99</u> |



**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

**17. 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. The Institute is governed by a Board of Directors composed of the superintendents of the participating school districts. During the 2004 fiscal year, MTI had six full time members. In addition, MTI provided training on a fee basis to other non-member districts and individual schools throughout central Florida. The Indian River County District School Board is the fiscal agent.

**18. 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 margin of \$909,831 for the period ending June 30, 2004.

**EXHIBIT - L (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**

Settled claims resulting from these risks have exceeded commercial coverage within the past five fiscal years. A bus accident in January 1999 resulted in litigation. One claim settlement was enacted into law through the legislative claims bill process, resulting in an actual award of \$1,224,393.90. This award was paid out in three installments. The third and final installment of \$367,318.17 was paid in July 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 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 were paid in fiscal year 2004. The second and third installments, each \$75,000, are scheduled for payment in fiscal years 2005 and 2006, respectively. Three other claims have been enacted by the legislature totaling \$657,500. One claim, totaling \$287,500 to be paid in four installments of \$71,875 each, is scheduled for payment in fiscal years 2005 through 2008. The second claim, totaling \$300,000, is scheduled to be paid in three installments; the first installment of \$150,000 is scheduled to be paid in fiscal year 2005 and the second and third installment of \$75,000 each is payable in 2006 and 2007. The third claim of \$70,000 is scheduled to be paid in 2005.

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 self-insurance program:

|           | Beginning-of-Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments   | Balance at Fiscal Year-End |
|-----------|------------------------------------|--|-------------------|----------------------------|
| 2002-2003 | \$ 1,560,000.00                    | \$ 5,936,212.49                              | \$ (6,628,196.49) | \$ 868,016.00              |
| 2003-2004 | 868,016.00                         | 8,202,008.93                                 | (8,063,441.93)    | 1,006,583.00               |

**19. SUBSEQUENT EVENTS**

On December 23, 2004, the District issued revenue anticipation notes in the amount of \$10,000,000. The note proceeds will be utilized by the District to repair damage to school facilities in the District caused by hurricanes Francis and Jeanne, and to pay for a portion of a new elementary school. The interest at which these notes were issued was 3 percent.

**EXHIBIT - M**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2004**

|  | General Fund           |                        |                         | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------------|------------------------|-------------------------|---|
|  | Original<br>Budget     | Final<br>Budget        | Actual                  |   |
| <b>Revenues</b>  |                        |                        |                         |   |
| Intergovernmental:                                       |                        |                        |                         |   |
| Federal Direct   | \$ 60,348.00           | \$ 60,348.00           | \$ 94,592.99            | \$ 34,244.99  |
| Federal Through State                                    | 208,500.00             | 219,308.48             |                         | (219,308.48)  |
| Federal Through Local                                    |                        |                        | 19,308.48               | 19,308.48   |
| State  | 27,242,071.00          | 28,654,564.63          | 28,676,761.49           | 22,196.86   |
| Local  | 65,399,851.00          | 65,718,848.65          | 67,377,545.97           | 1,658,697.32  |
| <b>Total Revenues</b>                                    | <u>92,910,770.00</u>   | <u>94,653,069.76</u>   | <u>96,168,208.93</u>    | <u>1,515,139.17</u>                                       |
| <b>Expenditures</b>                                      |                        |                        |                         |   |
| Current - Education:                                     |                        |                        |                         |   |
| Instruction  | 63,201,389.64          | 62,607,385.52          | 57,694,626.94           | 4,912,758.58  |
| Pupil Personnel Services                                 | 2,848,940.74           | 2,983,709.79           | 2,929,067.83            | 54,641.96   |
| Instructional Media Services                             | 1,789,680.79           | 1,841,897.45           | 1,841,897.45            |   |
| Instruction and Curriculum Development Services          | 4,202,494.99           | 4,247,954.97           | 4,163,512.27            | 84,442.70   |
| Instructional Staff Training                             | 543,005.16             | 693,732.68             | 492,630.28              | 201,102.40  |
| Board of Education                                       | 3,242,841.28           | 2,746,259.82           | 1,234,280.82            | 1,511,979.00  |
| General Administration                                   | 450,209.97             | 447,394.49             | 357,044.82              | 90,349.67   |
| School Administration                                    | 6,065,398.97           | 6,210,540.98           | 6,031,562.95            | 178,978.03  |
| Facilities Acquisition and Construction                  | 494,800.56             | 916,199.84             | 916,199.84              |   |
| Fiscal Services  | 928,731.27             | 971,379.73             | 960,659.97              | 10,719.76   |
| Food Services  |                        | 37,953.10              | 37,953.10               |   |
| Central Services   | 3,499,559.56           | 4,062,059.96           | 3,775,752.67            | 286,307.29  |
| Pupil Transportation Services                            | 3,476,865.10           | 3,505,826.14           | 3,417,364.50            | 88,461.64   |
| Operation of Plant                                       | 9,039,083.43           | 9,612,326.67           | 9,443,463.63            | 168,863.04  |
| Maintenance of Plant                                     | 3,194,514.90           | 3,228,287.42           | 3,077,894.90            | 150,392.52  |
| Community Services                                       | 1,050,009.44           | 1,058,807.15           | 993,046.41              | 65,760.74   |
| Fixed Capital Outlay:                                    |                        |                        |                         |   |
| Facilities Acquisition and Construction                  |                        | 3,317.87               | 3,317.87                |   |
| Other Capital Outlay                                     |                        | 593,442.06             | 587,133.33              | 6,308.73  |
| Debt Service:  |                        |                        |                         |   |
| Principal  |                        |                        |                         |   |
| Interest and Fiscal Charges                              | 8,500.00               | 9,849.92               | 9,454.08                | 395.84  |
| <b>Total Expenditures</b>                                | <u>104,036,025.80</u>  | <u>105,778,325.56</u>  | <u>97,966,863.66</u>    | <u>7,811,461.90</u>                                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>(11,125,255.80)</u> | <u>(11,125,255.80)</u> | <u>(1,798,654.73)</u>   | <u>9,326,601.07</u>                                       |
| <b>Other Financing Sources</b>                           |                        |                        |                         |   |
| Transfers In   | 2,850,000.00           | 2,850,000.00           | 2,850,000.00            |   |
| Proceeds from Sale of Capital Assets                     | 20,000.00              | 20,000.00              | 68,963.13               | 48,963.13   |
| Insurance Loss Recoveries                                |                        |                        | 6,258.94                | 6,258.94  |
| <b>Total Other Financing Sources</b>                     | <u>2,870,000.00</u>    | <u>2,870,000.00</u>    | <u>2,925,222.07</u>     | <u>55,222.07</u>  |
| <b>Net Change in Fund Balance</b>                        | <u>(8,255,255.80)</u>  | <u>(8,255,255.80)</u>  | <u>1,126,567.34</u>     | <u>9,381,823.14</u>                                       |
| Fund Balance, July 1, 2003                               | 11,385,736.47          | 11,385,736.47          | 11,385,736.47           |   |
| <b>Fund Balance, June 30, 2004</b>                       | <u>\$ 3,130,480.67</u> | <u>\$ 3,130,480.67</u> | <u>\$ 12,512,303.81</u> | <u>\$ 9,381,823.14</u>                                    |

---

---

**FEDERAL REPORTS AND SCHEDULES**

---

---

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

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS 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

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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

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

We have audited the financial statements of the Indian River County District School Board as of and for the fiscal year ended June 30, 2004, 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. 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.

### ***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 an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance and Other Matters*

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

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  
February 4, 2005



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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

## INDEPENDENT AUDITOR'S REPORT ON 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, 2004. 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2004. However, as discussed in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, the results of our procedures did disclose an instance of noncompliance with those requirements that is required to be reported in accordance with OMB *Circular A-133*.

### ***Internal Control Over Compliance***

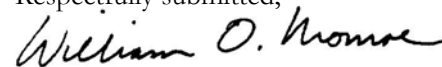
District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance 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*.

We noted a certain matter, described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition referred to above is not 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  
February 4, 2005



**INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2004**

| Federal Grantor/Pass-Through Grantor/Program Title   | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Pass -<br>Through<br>Grantor<br>Number | Amount of<br>Expenditures<br>(1) |
|--|---|--|----------------------------------|
| <b>United States Department of Agriculture:</b>  |   |  |                                  |
| Direct:  |   |  |                                  |
| Secondary and Two-Year Postsecondary Agriculture<br>Education Challenge Grants                       | 10.226  | N/A                                    | \$ <u>332.44</u>                 |
| Indirect:  |   |  |                                  |
| Florida Department of Agriculture and Consumer Services:<br>Food Donation                            | 10.550 (2)(A)   | None                                   | <u>397,558.76</u>                |
| Florida Department of Education:   |   |  |                                  |
| Child Nutrition Cluster:   |   |  |                                  |
| School Breakfast Program   | 10.553  | 321                                    | 1,480,177.54                     |
| National School Lunch Program  | 10.555  | 300                                    | 2,266,017.79                     |
| Summer Food Service Program for Children   | 10.559  | 323                                    | <u>186,682.00</u>                |
| <b>Total Child Nutrition Cluster</b>   |   |  | <u>3,932,877.33</u>              |
| Child and Adult Care Food Program  | 10.558  | 302                                    | <u>78,795.67</u>                 |
| <b>Total Indirect</b>  |   |  | <u>4,409,231.76</u>              |
| <b>Total United States Department of Agriculture</b>   |   |  | <u>4,409,564.20</u>              |
| <b>United States Department of Labor:</b>  |   |  |                                  |
| Direct:  |   |  |                                  |
| Cooperative Endangered Species Conservation Fund   | 15.615  | N/A                                    | <u>17,450.35</u>                 |
| <b>United States Department of Education:</b>  |   |  |                                  |
| Direct:  |   |  |                                  |
| Fund for the Improvement of Education  | 84.215  | N/A                                    | <u>206,407.93</u>                |
| Indirect:  |   |  |                                  |
| Special Education Cluster:   |   |  |                                  |
| Florida Department of Education:   |   |  |                                  |
| Special Education - Grants to States   | 84.027  | 262, 263                               | 2,716,022.57                     |
| Special Education - Preschool Grants   | 84.173  | 267                                    | 123,092.66                       |
| St. Lucie County District School Board:  |   |  |                                  |
| Special Education - Grants to States   | 84.027  | None                                   | <u>3,537.49</u>                  |
| <b>Total Special Education Cluster</b>   |   |  | 2,842,652.72                     |
| Florida Department of Education:   |   |  |                                  |
| Adult Education - State Grant Program  | 84.002  | 191                                    | 67,414.00                        |
| Title I Grants to Local Educational Agencies   | 84.010  | 212                                    | 2,431,384.16                     |
| Migrant Education - State Grant Program  | 84.011  | 217                                    | 282,501.34                       |
| Vocational Education - Basic Grants to States  | 84.048  | 151                                    | 189,147.00                       |
| Immigrant Education  | 84.162  | 136                                    | 115,692.89                       |
| Safe and Drug-Free Schools and Communities - State Grants  | 84.186  | 103                                    | 121,350.87                       |
| State Grants for Innovative Programs   | 84.298  | 113                                    | 87,383.45                        |
| Education Technology State Grants  | 84.318  | 121                                    | 95,077.28                        |
| Improving Teacher Quality State Grants   | 84.367  | 224                                    | 809,353.73                       |
| Indian River Community College:  |   |  |                                  |
| Vocational Education - Basic Grants to States  | 84.048  | 151                                    | 38,552.00                        |
| Tech-Prep Education  | 84.243  | None                                   | <u>15,770.99</u>                 |
| <b>Total Indirect</b>  |   |  | <u>7,096,280.43</u>              |
| <b>Total United States Department of Education</b>   |   |  | <u>7,302,688.36</u>              |
| <b>Corporation for National and Community Service:</b>   |   |  |                                  |
| Indirect:  |   |  |                                  |
| Florida Department of Education:<br>Learn and Serve America - School and Community<br>Based Programs | 94.004  | 234                                    | <u>15,613.53</u>                 |
| <b>United States Department of Defense:</b>  |   |  |                                  |
| Direct:  |   |  |                                  |
| Air Force Junior Reserve Officers Training Corps   | None  | N/A                                    | <u>94,592.99</u>                 |
| <b>Total Expenditures of Federal Awards</b>  |   |  | <u>\$ 11,839,909.43</u>          |

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2003-04 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.

(A) Food Donation - Represents the amount of donated food used during the 2003-04 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, 2004**

---

---

**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, 2004:

- Except for the exclusion of the school internal funds, there was no modification to the opinion on the financial statements.
- No matters involving the internal control and its operation were considered to be reportable conditions.
- No noncompliance was disclosed which is material to the financial statements.
- A certain matter was considered to be a reportable condition in internal control over major Federal programs, though the reportable condition was not considered to be a material weakness.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Food Donation (CFDA No. 10.550); Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program (CFDA No. 10.559)]; and Special Education Cluster [Special Education - Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)].
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$355,197.28.
- The low risk entity threshold was applied.

**INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2004**

**FINDINGS AND RECOMMENDATIONS**

**Federal Awards Finding No. 1:**

**Federal Agency: United States Department of Education**

**Pass-Through Entity: Florida Department of Education**

**Program: Special Education - Grants to States (CFDA No. 84.027)**

**Finding Type: Noncompliance and Reportable Condition**

**Questioned Costs: \$153,157.37**

**Allowable Cost/Cost Principles**

**Documentation of Employee Time and Effort.** OMB *Circular A-87*, Attachment B, paragraph 11.h.(3), requires that in instances where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared semi-annually and will be signed by the employee or supervisor having first hand knowledge of the work performed by the employee. Paragraphs 11.h(4) and (5) require that, in instances where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports. These reports must reflect an after-the-fact distribution of the actual activity for each employee, must account for the total activity for which the employee is compensated, and must be signed by the employee. Alternatively, other substitute reporting systems may be used if approved by the cognizant Federal agency. The United States Department of Education has approved a substitute reporting system for grants received by the District through the Florida Department of Education. The substitute system provides that where employees are expected to work on multiple activities or cost objectives, estimated percentages of employees' salaries will be assigned to accounts and, if necessary, adjusted based on actual personnel activity reports prepared for the months of September, January, and May.

During the 2003-04 fiscal year, the District paid salaries and benefits totaling \$1,455,253.06 to 84 employees from its Special Education – Grants to States program; however, no semi-annual certifications or personnel activity reports were prepared. Of this amount, salaries and benefits totaling \$1,302,095.69 were for 75 employees who worked and were paid 100 percent from grant funds. Insofar as the 75 employees paid 100 percent from grant funds were not assigned tasks outside of their grant activities, we do not consider these payments of salaries and benefits to be questioned costs. The remaining salaries and benefits, totaling \$153,157.37, were for 9 employees who did not work, and were not paid, 100 percent from grant funds. As these 9 employees were assigned tasks outside of the grant activities and did not prepare personnel activity reports to support their time spent working in

the Special Education program, we consider these payments of salaries and benefits, totaling \$153,157.37, to be questioned costs.

---

---

**Recommendation:** The District should document to the grantor (Florida Department of Education) the allowability of the questioned costs, totaling \$153,157.37, or restore these moneys to the Special Education program. Additionally, we recommend that the District enhance its procedures to ensure that Federally-funded employees complete the certifications required by the OMB *Circular A-87* and the substitute reporting system approved by the United States Department of Education.

---

---

*INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2004*

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

| Audit Report No.<br>and Federal<br>Awards Finding No. | Program/Area | Brief Description                           | Status | Comments |
|---|--------------|---|--------|----------|
| 2004-138  |              | There were no prior Federal audit findings. |        |          |

## STATEMENT FROM AUDITED OFFICIAL



## School District of Indian River County

"A CommUNITY Partnership Toward Educational Excellence"

Thomas B. Maher, Superintendent

February 14, 2005

William O. Monroe, C.P.A.  
Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

The following is my response to the preliminary and tentative findings for the audit of the Indian River County School Board for the fiscal year ended June 30, 2004.

Finding 1: Allowable Cost/Cost Principles (Documentation of Employee Time and Effort)

Comment noted. The district's Exceptional Student Education Department has initiated an action plan to document the time and effort logs for positions paid from IDEA funding. These documents will be kept on file for future audit reference. The contact person for this will be Larry Harrah, Executive Director for Exceptional Student Services.

Sincerely yours,

Thomas B. Maher  
Superintendent of Schools

pp

c School Board Members  
Linda D. Robertson, Assistant Superintendent

William D. Hughes  
District 1

Lenora Quimby  
District 2

R. Craig McGarvey, Ed.D.  
District 3

Ann Reuter  
District 4

Kathryn A. Wilson  
District 5

**"It Takes a Community to Raise a Child!"**

1990 25th Street • Vero Beach, Florida 32960-3395 • Telephone: 772-564-3000 • Suncom Number: 257-1011 • Fax: 772-569-0424

Equal Opportunity Educator and Employer