



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2005

Indian River County District School Board members and the Superintendent of Schools who served during the 2004-05 fiscal year are shown in the following tabulation:

	<u>District No.</u>
<i>William D. Hughes, Chair from 11-16-04</i>	1
<i>Steven Mohler to 10-27-04, Vice-Chair (Deceased) (1)</i>	2
<i>Lenora Quimby from 11-16-04</i>	2
<i>Dr. R. Craig McGarvey, Vice-Chair from 11-16-04</i>	3
<i>Herbert Bailey to 11-15-04</i>	4
<i>Ann Reuter from 11-16-04</i>	4
<i>Kathryn A. Wilson, Chair to 11-15-04</i>	5

Thomas B. Maher, Superintendent

(1) The District No. 2 office and Vice-Chair position remained vacant until 11-16-04.

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

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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, 2005, 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 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. However, we did note internal control and compliance findings that are summarized below.

Summary of Audit Findings**Finding No. 1: Disaster Preparedness Planning**

The District had not developed a disaster preparedness plan that defined the responsibilities of all employees, identified essential and non-essential employees during disaster recovery periods, and provided a staffing plan for the emergency shelters.

Finding No. 2: Consulting Services

Consulting agreements, in some instances, did not contain sufficient details to establish the services to be performed or require consultants to submit reports that summarized the results of their work.

Finding No. 3: Construction Management at Risk Agreement – Performance Bond

The District did not ensure that a general contractor's payment and performance bond amount was adequate and in compliance with the terms of the agreement to build the new Liberty Magnet Elementary School.

Finding No. 4: Construction Management at Risk Agreement – Penalty Clauses

The agreement between the District and a general contractor to build the new Liberty Magnet Elementary School did not contain the required penalties to be paid by the contractor for failure to comply with the terms of the contract.

Finding No. 5: Architect's Professional Liability Insurance Requirements

The District did not ensure that the architectural firm hired to provide architectural services for the new Liberty Magnet Elementary School carried the amount of professional liability insurance required by the contract.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Migrant Education – State Grant Program, Special Education Cluster, and Improving Teacher Quality 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: Allowable Cost/Cost Principles (Documentation of Employee Time and Effort)

The District paid salaries and benefits totaling \$2,074,410.65 to employees from its Special Education - Grants to States program. Our tests of 17 employees, whose salaries represented \$819,243.12 of the total salaries paid by this grant, disclosed that the required certifications or personnel activity reports were not prepared for 14 of the 17 employees tested.

Audit Objectives and Scope

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 over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2005-144.

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, 2005. 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.

Audit Methodology

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

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

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

FINDINGS AND RECOMMENDATIONS

Other Deficiencies

Finding No. 1: Disaster Preparedness Planning

In September 2004, the District was affected by two hurricanes. Hurricane Frances made landfall in Martin County, south of Indian River County, on September 4, 2004. Hurricane Jeanne made landfall in St. Lucie County, also south of Indian River County, on September 25, 2004. The District operated five emergency shelters at District schools during each of the hurricanes. The primary District staff at these shelters were the Principals and the Vice-Principals of the designated schools and those maintenance staff employees familiar with the schools. As a part of our audit of the District for the 2004-05 fiscal year, we reviewed the impact of the hurricanes on the overtime wages paid to District employees during this time period.

We noted that 518 District employees received overtime payments, totaling \$766,688, as a result of work occurring during and subsequent to the two hurricanes. Overtime payments to individual employees were as high as \$20,006, and averaged \$1,480. During Hurricane Frances, the District paid employees their regular salary plus 1.5 times their normal rate of pay for all hours worked, which equates to 2.5 times the normal rate of pay. The Superintendent issued a directive declaring seven work days missed during Hurricane Frances as paid holidays. This resulted in all employees, who worked any hours on any of these holidays, receiving overtime pay in addition to their regular pay. The District subsequently changed policies between Hurricanes Frances and Jeanne. During Hurricane Jeanne, the District paid straight-time for the first 40 hours worked and 1.5 times their normal rate of pay for all hours worked after that.

Our review of employees receiving more than \$5,000 in hurricane overtime payments disclosed the following deficiencies:

- The District was unable to provide sufficient, legible documentation supporting the hours worked for several employees earning more than \$5,000 in hurricane overtime payments. Additionally, the documentation provided did not always exhibit supervisory approval. Subsequent to the hurricanes, the District developed a new process to document and track employee overtime, and, effective September 13, 2005, the Board approved a pay schedule for employees working during times of disaster.
- The District did not have a written disaster preparedness plan that identified those employees deemed to be essential and that detailed the assignments, responsibilities, and rate of pay for employees working during disasters. The lack of a detailed staffing plan that addressed replacement staffing at the hurricane shelters resulted in numerous employees working continuous 24-hour shifts. For example, the Facilities Coordinator at Sebastian River High School worked 116 continuous hours during Hurricane Frances, and a Maintenance Department Crew Chief worked 90 continuous hours at the Oslo Middle School Shelter, also during Hurricane Frances.

Recommendation: The District should develop a disaster preparedness plan that defines the responsibilities of all employees, identifies essential and non-essential employees during disaster recovery periods, and provides a staffing plan for the emergency shelters.

Finding No. 2: Consulting Services

As part of our audit of District expenditures for the 2004-05 fiscal year, we reviewed professional and technical consulting services purchased by the District. Our review disclosed that improvements were needed in the District's contracting and contract monitoring procedures regarding professional and technical consulting services. District policy 6GX31-7.09 requires that all purchases shall be in accordance with State laws, State Board of Education regulations, and rules as prescribed by the Board. State Board of Education Rule 6A-1.012, Florida Administrative Code, requires that the District request bids for purchases exceeding \$25,000. Consulting services of \$25,000 or less are not subject to this requirement.

Our audit included a review of several instances in which the District acquired professional and technical consulting services, with costs totaling less than \$25,000. These purchases were made based on the issuance of purchase orders rather than a detailed consultant services contract. The purchase orders did not specify deliverables or require consultants to submit reports that summarized the results of their work. Similarly, the purchase orders did not establish a measurable indicator of services to be performed, such as the number of hours or days to be worked or the amount of hourly or daily fees. Without written parameters such as specific deliverables and measurable indicators of the services to be performed, the District is limited in its ability to monitor the progress of the consultants' work as it is performed, or to demonstrate that the services were received as expected.

Recommendation: The District should develop monitoring procedures regarding professional and technical consulting services to ensure the economic and efficient provision of services. Consultant agreements should be sufficiently detailed so that the District can readily demonstrate the consultants' performance of the agreed upon services. All consultant agreements should establish the services to be performed, such as the number or hours of days to be worked, and specify deliverables or reports that summarize the results of the consultant's work.

Finding No. 3: Construction Management at Risk Agreement – Performance Bond

Sections 1013.47 and 255.05, Florida Statutes, require a payment and performance bond when a governmental entity contracts to construct, remodel, or renovate a facility where the project cost exceeds \$200,000. Section 4.2, of the Florida Department of Education's publication, *State Requirements for Educational Facilities - 1999*, requires that each bond shall equal 100 percent of the contract amount. In September 2004, the District entered into a Construction Management at Risk Agreement (CMAR) for the new Liberty Magnet Elementary School project and, subsequently, accepted a Guaranteed Maximum Price (GMP) proposal of \$13,943,349 for the project. The project is scheduled to be completed in May 2006.

Our review disclosed that the District did not ensure that the contractor's payment and performance bond amount was adequate. The payment and performance bond provided by the contractor was for \$10,750,000, which was \$3,193,349 less than the GMP noted above. When a bond is insufficient, the District is not fully protected in the event the contractor fails to pay the subcontractors or complete the project.

Recommendation: The District should establish monitoring procedures for construction management at risk agreements to ensure the adequacy of payment and performance bonds.

Finding No. 4: Construction Management at Risk Agreement – Penalty Clauses

Section 1013.47, Florida Statutes, provides that construction contracts, in part, contain the time limits in which construction is to be completed and penalties to be paid by the contractor for any failure to comply with the terms of the contract. As part of our audit procedures, we reviewed the Construction Management at Risk Agreement (CMAR) for the new Liberty Magnet Elementary School project. We noted that the District had struck-out clause 8.4, “Failure to Complete Work On Time.” This clause stated that the contractor faced a \$2,500 a day penalty to be paid by the contractor for failure to comply with the contractually scheduled completion of certain milestones established by the terms of the contract. Minutes from the September 30, 2004, regular School Board meeting indicate that the penalty clause of the contract was approved to be struck-out by the Board because the contractor agreed to reduce his profit percentage from 5.8 to 5 percent. The Agreement was approved at this Board meeting. Without the threat of a financial penalty, a contractor has little incentive to complete a project on a date certain and the District has limited ability to hold the contractor responsible for timely completion of the project.

Recommendation: The Board should comply with Florida Statutes and refrain from deleting penalty clauses from construction contracts.

Finding No. 5: Architect’s Professional Liability Insurance Requirements

In September 2004, the District entered into a contract with an architectural firm to provide architectural services for the new Liberty Magnet Elementary School project. The contract required that the architectural firm provide professional liability insurance. The amount of professional liability insurance required was based on the construction cost of the project. A construction project exceeding a probable construction cost of \$12,000,000 required \$3,000,000 of professional liability insurance coverage. A review of the certificate of professional liability coverage provided by the District disclosed that the architectural firm carried \$1,000,000 in professional liability coverage, which was \$2,000,000 less than the contract requirement.

Recommendation: To help limit the District’s exposure to the various risks of possible loss relating to the services provided by its architectural firms, the District should enhance its procedures to ensure that its architectural firms are properly insured.

PRIOR AUDIT FINDINGS

Except as discussed in the Schedule of Findings and Questioned Costs – Federal Awards, the District corrected the deficiencies or exceptions cited in our report No. 2005-144.

MANAGEMENT RESPONSE

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 is shown on pages 63 and 64.

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.*



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed on page 5. 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 14 percent of the assets and liabilities, respectively, of the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the school internal funds been audited, 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, 2005, 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, 2005, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

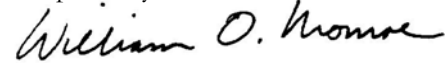
In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Indian River County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 9 through 15) and the Budgetary Comparison Schedule (shown as exhibit M) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

January 26, 2006

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 17 through 51.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2004-05 fiscal year are as follows:

- Construction of new facilities and major renovations to existing facilities continued in 2004-05. The District completed construction of Vero Beach High School's new auditorium in January 2005. Construction is underway for a new \$17 million north county elementary school. Additionally, major renovations in various states of completion are in process at Rosewood Elementary and Gifford Middle Schools.
- The Indian River County School District suffered an estimated \$21 million in damages to its facilities when two hurricanes impacted the area in the month of September 2004. The costs of all repairs are expected to be covered by the District's insurance policy and Public Assistance Grants.
- The Indian River County School Board approved a Revenue Anticipation Note in the amount of \$10,000,000 to temporarily fund hurricane repairs and the new elementary school construction. It is anticipated that this note will be paid in full during the fall of the 2005-06 fiscal year.
- The District met its strategic plan goal of a 3 percent minimum fund balance in the operating fund.
- The District continued its contract with Blue Cross/Blue Shield (BCBS) for the administration of its self-insured health insurance plan in 2004-05. Deep discounts contained in this provider network have resulted in a stable financial position for the self-insurance fund, enabling the District to maintain the same group health rates for three years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities,

the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents four separate legal entities in this report, including the Indian River Charter High School, Inc.; North County Charter School, Inc.; Sebastian Charter Junior High, Inc.; and Indian River Academy Charter School, 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 – SBE/COBI Bond Fund, Capital Projects – Section 1011.14 Loan 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 an 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 private-purpose trust funds 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, 2005, compared to net assets as of June 30, 2004:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-05	6-30-04
Current and Other Assets	\$ 68,170,215.42	\$ 43,189,346.75
Capital Assets	169,308,755.71	155,480,620.06
Total Assets	237,478,971.13	198,669,966.81
Long-Term Liabilities	58,093,520.99	45,982,493.90
Other Liabilities	8,631,037.98	7,240,404.53
Total Liabilities	66,724,558.97	53,222,898.43
Net Assets:		
Invested in Capital Assets - Net of Debt	119,711,502.64	118,226,594.47
Restricted	42,769,057.69	20,137,487.64
Unrestricted	8,273,851.83	7,082,986.27
Total Net Assets	\$ 170,754,412.16	\$ 145,447,068.38

The largest portion of the District's net assets (70 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 (25 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, 2005, and June 30, 2004, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-05	6-30-04
Program Revenues:		
Charges for Services	\$ 3,531,378.30	\$ 3,347,638.55
Operating Grants and Contributions	7,733,971.57	7,624,530.61
Capital Grants and Contributions	3,595,140.66	6,878,921.71
General Revenues:		
Property Taxes Levied for Operational Purposes	71,073,091.18	64,505,570.22
Property Taxes Levied for Debt Service	5,671,235.13	5,551,642.18
Property Taxes Levied for Capital Projects	23,586,621.64	20,855,785.82
Grants and Contributions Not Restricted to Specific Programs	24,893,439.97	28,381,344.54
Unrestricted Investment Earnings	1,239,808.75	484,700.85
Miscellaneous	22,179,668.47	5,985,268.95
Total Revenues	163,504,355.67	143,615,403.43
Functions/Program Expenses:		
Instruction	67,291,311.38	59,974,406.45
Pupil Personnel Services	3,922,421.91	3,758,796.77
Instructional Media Services	1,865,454.18	1,844,885.85
Instruction and Curriculum Development Services	5,939,009.34	5,250,835.87
Instructional Staff Training	717,497.16	768,666.07
Board of Education	712,259.01	159,901.59
General Administration	754,213.95	637,924.98
School Administration	6,302,626.64	6,114,883.67
Facilities Acquisition and Construction	4,930,789.01	4,283,491.54
Fiscal Services	1,020,672.32	980,312.08
Food Services	6,936,471.78	6,554,531.87
Central Services	4,061,350.30	3,757,032.94
Pupil Transportation Services	3,655,403.21	3,432,281.87
Operation of Plant	10,772,220.07	9,479,354.37
Maintenance of Plant	4,895,825.71	3,102,016.68
Community Services	2,016,769.87	1,025,900.63
Interest on Long-Term Debt	1,860,305.42	1,686,563.33
Unallocated Depreciation Expenses	7,969,215.95	7,801,905.58
Loss on Disposal of Capital Assets	1,122,687.94	127,200.54
Extraordinary Item (Claims Settlement)	366,875.00	542,318.17
Total Functions/Program Expenses and Extraordinary Item	137,113,380.15	121,283,210.85
Increase in Net Assets	\$ 26,390,975.52	\$ 22,332,192.58

The largest revenue source is local district school taxes (61 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. The District's student enrollment increased by 442 students, or 2.7 percent over the preceding fiscal year.

Instructional expenses represent 49 percent of total governmental expenses in the 2004-05 fiscal year. Instructional expenses increased by \$7.3 million (12 percent). In an effort to comply with Florida's Class Size Constitutional Amendment, thirty-five (35) 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 2004-2005 fiscal year. Since inception of the law, the District has hired a total of 108.6 additional teachers.

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 \$9,966,174.16, while the total fund balance is \$13,421,266.54. The unreserved fund balance increased by \$451,578.01, while the total fund balance increased by \$908,962.73 during the fiscal year.

The Capital Projects Funds contain four major funds. The SBE/COBI Bond Fund has a total fund balance of \$6,644,132.92, the Section 1011.14 Loan Fund has a total fund balance of \$6,629,690.39, the Local Capital Improvement Fund has a total fund balance of \$16,356,584.91, and the Other Fund has a total fund balance of \$7,438,902.64, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balances increased in the current year due to an increase in local revenues, the issuance of State Board of Education (SBE) State School Bonds, and the issuance of a Revenue Anticipation Note.

Proprietary Funds

The Internal Service Fund provides accounting for the health coverage and other benefits to employees, dependents, and retirees of the District. During the current year, Blue Cross/Blue Shield provided the administration of this self-insured plan. The deeply discounted rate structure resulted in financial stability of this fund. The balance of the net assets of the fund is \$5,227,045.70 at June 30, 2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2004-05 fiscal year, the District improved its financial solvency. The District continued to maintain a minimum reserve 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, 2005, amounts to \$169,308,756.71 (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 9.6 percent.

Major capital asset events during the current fiscal year included the completion of Vero Beach High School's auditorium, the initial construction of a north county elementary school, and renovations at Gifford Middle School and Rosewood Elementary School.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, the District has total long-term debt outstanding of \$49,597,253. This amount is comprised of \$522,253 of obligations under capital leases, \$10,000,000 of Revenue Anticipation Note, and \$39,075,000 of bonds payable. During the year, retirement of debt amounted to \$4,526,544.

During the current fiscal year, the District participated in the State Board of Education's issuance of State School Bonds, Series 2005-A, in the amount of \$6,405,000, which 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. Proceeds are earmarked for new school construction.

Additional information on the District's long-term debt can be found in Notes 5 through 9 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The unemployment rate for the District (Indian River County, Florida) is currently 5.5 percent, which is down 2.8 percent from a year ago. This compares unfavorably to the State's average unemployment rate of 4.2 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 2005-06 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Indian River County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, Indian River County District School Board, 1990 25th Street, Vero Beach, FL 32960.

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EXHIBIT - A
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Governmental Activities	Component Units
ASSETS		
Cash	\$ 1,702,050.95	\$ 813,017.00
Investments	58,590,353.69	
Accounts Receivable	125,477.35	500.00
Interest Receivable		4,771.00
Prepaid Items	75,000.00	41,911.00
Due from Other Agencies	7,030,561.10	208,259.00
Deposits Receivable	100.00	2,035.00
Inventories	646,672.33	
Capital Assets:		
Land	6,108,634.25	218,232.00
Land Improvements - Nondepreciable	188,739.10	7,187.00
Timeshare Interest - Nondepreciable		10,000.00
Construction in Progress	5,399,912.89	
Improvements Other Than Buildings, Net	5,401,939.23	502,479.00
Buildings and Fixed Equipment, Net	142,131,779.32	5,733,099.00
Furniture, Fixtures, and Equipment, Net	5,166,667.35	349,786.00
Motor Vehicles, Net	2,966,170.66	
Property Under Capital Lease, Net	609,751.39	10,621.00
Audio Visual Materials and Computer Software, Net	1,335,161.52	982.00
Unamortized Debt Issue Cost, Net		84,896.00
	\$ 237,478,971.13	\$ 7,987,775.00
TOTAL ASSETS		
	\$ 237,478,971.13	\$ 7,987,775.00
LIABILITIES		
Salaries and Benefits Payable	\$ 272,194.16	\$ 158.00
Payroll Deductions and Withholdings	348,638.21	205,725.00
Accounts Payable	983,883.17	39,329.00
Construction Contracts Payable	514,163.16	
Construction Contracts Payable - Retainage	279,963.65	
Accrued Interest Payable	655,975.21	
Due to Other Agencies	952,766.54	
Deferred Revenue	2,053,264.48	78,163.00
Estimated Insurance Claims Payable	2,570,189.40	
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable	10,000,000.00	270,292.00
Obligations Under Capital Lease	192,435.23	2,627.00
Bonds Payable	3,720,000.00	
Estimated Long-Term Claims Payable	223,363.00	
Compensated Absences Payable	1,628,814.15	
Portion Due After One Year:		
Notes Payable		4,143,002.00
Obligations Under Capital Lease	329,817.84	8,670.00
Bonds Payable	35,355,000.00	
Estimated Long-Term Claims Payable	227,062.32	
Compensated Absences Payable	6,417,028.45	
	66,724,558.97	4,747,966.00
Total Liabilities	66,724,558.97	4,747,966.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	119,711,502.64	2,492,691.00
Restricted for:		
State Categorical Programs	2,139,902.17	
Debt Service	1,102,371.40	
Capital Projects	39,526,784.12	157,869.00
Unrestricted	8,273,851.83	589,249.00
	170,754,412.16	3,239,809.00
Total Net Assets	170,754,412.16	3,239,809.00
TOTAL LIABILITIES AND NET ASSETS	\$ 237,478,971.13	\$ 7,987,775.00

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

EXHIBIT - B
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 67,291,311.38	\$ 204,545.45	\$	\$
Pupil Personnel Services	3,922,421.91			
Instructional Media Services	1,865,454.18			
Instruction and Curriculum Development Services	5,939,009.34			
Instructional Staff Training	717,497.16			
Board of Education	712,259.01			
General Administration	754,213.95			
School Administration	6,302,626.64			
Facilities Acquisition and Construction	4,930,789.01			3,516,838.13
Fiscal Services	1,020,672.32			
Food Services	6,936,471.78	2,279,483.22	4,751,782.57	
Central Services	4,061,350.30			
Pupil Transportation Services	3,655,403.21	15,341.65	2,982,189.00	
Operation of Plant	10,772,220.07			
Maintenance of Plant	4,895,825.71			
Community Services	2,016,769.87	1,032,007.98		
Interest on Long-Term Debt	1,860,305.42			78,302.53
Unallocated Depreciation Expenses	7,969,215.95			
Loss on Disposal of Capital Assets	1,122,687.94			
Total Primary Government	\$ 136,746,505.15	\$ 3,531,378.30	\$ 7,733,971.57	\$ 3,595,140.66
Component Units				
Charter Schools	\$ 4,894,200.00	\$ 8,671.00	\$ 86,348.00	\$ 45,008.00
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				
Total General Revenues and Extraordinary Items				
Change in Net Assets				
Net Assets - July 1, 2004				
Adjustment to Beginning Net Assets				
Net Assets, Restated - July 1, 2004				
Net Assets - June 30, 2005				

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>	<u>Component</u>	
<u>Governmental</u>	<u>Units</u>	
<u>Activities</u>		
\$	(67,086,765.93)	\$
	(3,922,421.91)	
	(1,865,454.18)	
	(5,939,009.34)	
	(717,497.16)	
	(712,259.01)	
	(754,213.95)	
	(6,302,626.64)	
	(1,413,950.88)	
	(1,020,672.32)	
	94,794.01	
	(4,061,350.30)	
	(657,872.56)	
	(10,772,220.07)	
	(4,895,825.71)	
	(984,761.89)	
	(1,782,002.89)	
	(7,969,215.95)	
	<u>(1,122,687.94)</u>	
	<u>(121,886,014.62)</u>	
		<u>(4,754,173.00)</u>
	71,073,091.18	
	5,671,235.13	
	23,586,621.64	
	24,893,439.97	4,708,662.00
	1,239,808.75	18,414.00
	22,179,668.47	82,307.00
	<u>(366,875.00)</u>	
	<u>148,276,990.14</u>	<u>4,809,383.00</u>
	<u>26,390,975.52</u>	<u>55,210.00</u>
	<u>145,447,068.38</u>	<u>3,184,599.00</u>
	<u>(1,083,631.74)</u>	
	<u>144,363,436.64</u>	
<u>\$</u>	<u>170,754,412.16</u>	<u>\$ 3,239,809.00</u>

**EXHIBIT - C
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005**

	General Fund	Capital Projects- SBE/COBI Bond Fund	Capital Projects- Section 1011.14 Loan Fund
ASSETS			
Cash	\$ 832,492.44	\$	\$
Investments	14,097,670.82	6,644,132.92	6,629,690.39
Accounts Receivable	85,791.59		
Prepaid Items	75,000.00		
Due from Other Funds	8,551.26		
Due from Other Agencies	503,434.10		
Deposits Receivable	100.00		
Inventories	331,683.96		
	<u>\$ 15,934,724.17</u>	<u>\$ 6,644,132.92</u>	<u>\$ 6,629,690.39</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 148,974.01	\$	\$
Payroll Deductions and Withholding	304,589.12		
Accounts Payable	366,194.77		
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds	825,344.84		
Due to Other Agencies	843,858.67		
Matured Interest Payable			
Deferred Revenue	24,496.22		
	<u>2,513,457.63</u>	<u></u>	<u></u>
Total Liabilities			
Fund Balances:			
Reserved for State Categorical Programs	2,139,902.17		
Reserved for Encumbrances	983,506.25	6,000,000.00	6,333,500.09
Reserved for Inventories	331,683.96		
Reserved for Debt Service			
Unreserved, reported in:			
General Fund	9,966,174.16		
Special Revenue Funds			
Capital Projects Funds		644,132.92	296,190.30
	<u>13,421,266.54</u>	<u>6,644,132.92</u>	<u>6,629,690.39</u>
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 15,934,724.17</u>	<u>\$ 6,644,132.92</u>	<u>\$ 6,629,690.39</u>

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

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 17,500,449.91	\$ 1,091,304.95	\$ 92,849.19 4,530,633.92	\$ 925,341.63 50,493,882.91 85,791.59 75,000.00 146,405.64 7,030,561.10 100.00 646,672.33
19,939.38	7,703.00 6,339,894.69	110,212.00 187,232.31	
<u>17,520,389.29</u>	<u>7,438,902.64</u>	<u>5,235,915.79</u>	<u>59,403,755.20</u>
\$ 385,189.20 488,711.42 279,963.65 9,940.11		\$ 123,220.15 44,049.09 222,214.22 25,451.74 147,346.92 108,907.87 118,923.85 87,196.25	\$ 272,194.16 348,638.21 973,598.19 514,163.16 279,963.65 982,631.87 952,766.54 118,923.85 111,692.47
<u>1,163,804.38</u>		<u>877,310.09</u>	<u>4,554,572.10</u>
6,787,745.08	965,859.14	551,226.57 314,988.37 1,102,371.40	2,139,902.17 21,621,837.13 646,672.33 1,102,371.40
<u>9,568,839.83</u>	<u>6,473,043.50</u>	<u>1,960,615.09</u>	<u>18,942,821.64</u>
<u>16,356,584.91</u>	<u>7,438,902.64</u>	<u>4,358,605.70</u>	<u>54,849,183.10</u>
<u>\$ 17,520,389.29</u>	<u>\$ 7,438,902.64</u>	<u>\$ 5,235,915.79</u>	<u>\$ 59,403,755.20</u>

EXHIBIT - D
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances - Governmental Funds	\$	54,849,183.10
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.		169,308,755.71
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		5,227,045.70
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.		(537,051.36)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 39,075,000.00	
Revenue Anticipation Note	10,000,000.00	
Estimated Long-Term Claims Payable	450,425.32	
Obligations Under Capital Leases	522,253.07	
Compensated Absences Payable	8,045,842.60	
	(58,093,520.99)	
Total Net Assets - Governmental Activities	\$	<u>170,754,412.16</u>

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

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EXHIBIT - E
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	General Fund	Capital Projects - SBE/COBI Bond Fund	Capital Projects - Section 1011.14 Loan Fund
Revenues	<u> </u>	<u> </u>	<u> </u>
Intergovernmental:			
Federal Direct	\$ 100,158.50	\$	\$
Federal Through State	12,917.68		
Federal Through Local	28,424,693.77		
State	74,659,105.73		
Local	<u>74,659,105.73</u>	<u>14,474.50</u>	<u>112,580.30</u>
Total Revenues	<u>103,196,875.68</u>	<u>14,474.50</u>	<u>112,580.30</u>
Expenditures			
Current - Education:			
Instruction	63,712,969.45		
Pupil Personnel Services	2,997,012.49		
Instructional Media Services	1,874,950.08		
Instruction and Curriculum Development Services	4,693,747.58		
Instructional Staff Training	424,958.01		
Board of Education	1,080,589.00		
General Administration	396,839.65		
School Administration	6,260,755.30		
Facilities Acquisition and Construction	757,518.48		298,903.00
Fiscal Services	1,017,366.27		
Food Services	42,302.46		
Central Services	4,067,818.84		
Pupil Transportation Services	3,634,597.33		
Operation of Plant	10,759,397.46		
Maintenance of Plant	4,908,541.93		
Community Services	1,982,882.08		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	1,934,387.24		3,123,243.00
Other Capital Outlay	722,778.20		
Debt Service:			
Principal			
Interest and Fiscal Charges	9,684.84	15,733.42	60,743.91
Total Expenditures	<u>111,279,096.69</u>	<u>15,733.42</u>	<u>3,482,889.91</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,082,221.01)</u>	<u>(1,258.92)</u>	<u>(3,370,309.61)</u>
Other Financing Sources (Uses)			
Transfers In	2,850,000.00		
Proceeds from State School Bonds Issued		6,405,000.00	10,000,000.00
Premium on State School Bonds		240,391.84	
Proceeds from Sale of Capital Assets	17,728.26		
Insurance Loss Recoveries	6,123,455.48		
Transfers Out			
Total Other Financing Sources (Uses)	<u>8,991,183.74</u>	<u>6,645,391.84</u>	<u>10,000,000.00</u>
Net Change in Fund Balances	908,962.73	6,644,132.92	6,629,690.39
Fund Balances, July 1, 2004	<u>12,512,303.81</u>	<u> </u>	<u> </u>
Fund Balances, June 30, 2005	<u>\$ 13,421,266.54</u>	<u>\$ 6,644,132.92</u>	<u>\$ 6,629,690.39</u>

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

EXHIBIT - E

<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 322,055.30	\$ 422,213.80
		11,658,921.98	11,658,921.98
	32,616.00		45,533.68
	954,524.45	2,833,903.34	32,213,121.56
<u>23,931,570.93</u>	<u>10,837.23</u>	<u>8,054,420.38</u>	<u>106,782,989.07</u>
<u>23,931,570.93</u>	<u>997,977.68</u>	<u>22,869,301.00</u>	<u>151,122,780.09</u>
		4,071,486.83	67,784,456.28
		919,766.18	3,916,778.67
			1,874,950.08
		1,222,342.12	5,916,089.70
		299,339.23	724,297.24
			1,080,589.00
		341,838.39	738,678.04
			6,260,755.30
3,467,974.58	140,022.42	680,169.71	5,344,588.19
			1,017,366.27
		6,890,483.72	6,932,786.18
			4,067,818.84
		17,825.43	3,652,422.76
			10,759,397.46
			4,908,541.93
		42,169.83	2,025,051.91
10,380,547.01	3,952,350.74	1,296,603.68	20,687,131.67
1,504,717.55	37,898.56	589,491.60	2,854,885.91
		4,468,724.28	4,468,724.28
		1,603,388.14	1,689,550.31
<u>15,353,239.14</u>	<u>4,130,271.72</u>	<u>22,443,629.14</u>	<u>156,704,860.02</u>
<u>8,578,331.79</u>	<u>(3,132,294.04)</u>	<u>425,671.86</u>	<u>(5,582,079.93)</u>
		117,473.26	2,967,473.26
			16,405,000.00
			240,391.84
			17,728.26
(2,862,473.26)	6,000,000.00	(105,000.00)	12,123,455.48
<u>(2,862,473.26)</u>	<u>6,000,000.00</u>	<u>12,473.26</u>	<u>(2,967,473.26)</u>
			28,786,575.58
5,715,858.53	2,867,705.96	438,145.12	23,204,495.65
<u>10,640,726.38</u>	<u>4,571,196.68</u>	<u>3,920,460.58</u>	<u>31,644,687.45</u>
<u>\$ 16,356,584.91</u>	<u>\$ 7,438,902.64</u>	<u>\$ 4,358,605.70</u>	<u>\$ 54,849,183.10</u>

EXHIBIT - F
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Governmental Funds \$ 23,204,495.65

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	15,792,843.86
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 proceeds exceeded repayments in the current period.	(12,343,227.48)
The net change in estimated long-term claims payable is reported in the statement of activities, but not in the governmental funds statement.	369,343.91
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(1,122,687.94)
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.	(137,143.52)
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 the amount accrued in the prior year.	(170,755.11)
Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds.	241,611.47
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund are included in governmental activities in the statement of net assets.	556,494.68

Change in Net Assets - Governmental Activities \$ 26,390,975.52

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, 2005**

		Governmental Activities - Internal Service Fund
		Fund
 ASSETS		
Current Assets:		
Cash	\$	776,709.32
Investments		8,096,470.78
Accounts Receivable		39,685.76
Due From Other Funds		842,757.62
		842,757.62
 TOTAL ASSETS	 \$	 9,755,623.48
 LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	10,284.98
Due to Other Funds		6,531.39
Deferred Revenue		1,941,572.01
Estimated Insurance Claims Payable		2,570,189.40
		2,570,189.40
 Total Liabilities		 4,528,577.78
 NET ASSETS		
Unrestricted		5,227,045.70
		5,227,045.70
 TOTAL LIABILITIES AND NET ASSETS	 \$	 9,755,623.48

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

**EXHIBIT - H
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 12,696,090.76
Other Operating Revenues	69,174.76
	12,765,265.52
Total Operating Revenues	
OPERATING EXPENSES	
Insurance Claims	8,770,176.95
Insurance Premiums	1,996,797.48
Service Agent Fees	1,749,864.16
	12,516,838.59
Total Operating Expenses	
Operating Income	248,426.93
NONOPERATING REVENUES	
Interest	154,122.76
Loss Recoveries	153,944.99
	308,067.75
Total Nonoperating Revenues	
Change in Net Assets	556,494.68
Total Net Assets, July 1, 2004	4,670,551.02
Total Net Assets, June 30, 2005	\$ 5,227,045.70

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, 2005**

		Governmental Activities - Internal Service Fund
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Premiums	\$	13,487,543.54
Cash Received from Other Operating Revenues		69,174.76
Cash Payments to Suppliers for Goods and Services		(2,075,318.41)
Cash Payments for Insurance Claims		(7,206,570.55)
Cash Payment for Other Fees		(1,749,864.16)
		<hr/>
Net Cash Provided by Operating Activities		2,524,965.18
		<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other		153,944.99
		<hr/>
Net Cash Provided by Noncapital Financing Activities		153,944.99
		<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(2,121,897.72)
Interest Income		154,122.76
		<hr/>
Net Cash Used by Investing Activities		(1,967,774.96)
		<hr/>
Net Increase in Cash		711,135.21
Cash, Beginning		65,574.11
		<hr/>
Cash, Ending	\$	776,709.32
		<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$	248,426.93
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(38,151.76)
Increase in Due From Other Funds		(29,069.37)
Decrease in Accounts Payable		(40,369.17)
Increase in Due to Other Funds		4,972.52
Increase in Deferred Revenues		815,549.63
Increase in Estimated Insurance Claims Payable		1,563,606.40
		<hr/>
Total Adjustments		2,276,538.25
		<hr/>
Net Cash Provided by Operating Activities	\$	2,524,965.18
		<hr/> <hr/>

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, 2005

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds (Unaudited)</u>
ASSETS		
Cash	\$ 1,321.09	\$ 309,737.39
Investments	79,343.58	677,359.17
Accounts Receivable, Net		15,660.00
	<u>80,664.67</u>	<u>1,002,756.56</u>
TOTAL ASSETS	<u>\$ 80,664.67</u>	<u>\$ 1,002,756.56</u>
LIABILITIES		
Due to Other Agencies	\$	\$ 100,012.13
Internal Accounts Payable		902,744.43
		<u>1,002,756.56</u>
Total Liabilities		<u>\$ 1,002,756.56</u>
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	<u>80,664.67</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 80,664.67</u>	

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

EXHIBIT - K
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2005

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings:	
Net Increase in Fair Value of Investments	\$ 885.06
Interest, Dividends, and Other	2,779.40
Total Investment Earnings	3,664.46
DEDUCTIONS	
Other Expenses	2,000.00
Change in Net Assets Held in Trust for:	
Scholarships for Individuals	1,664.46
Net Assets, July 1, 2004	79,000.21
Net Assets, June 30, 2005	\$ 80,664.67

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, 2005

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 and to provide alternative educational services for students in Indian River County who are achieving at least one or more years below grade level and who have documented disciplinary actions which could have resulted in suspension from school.

Indian River Charter High School, Inc., was established to provide educational services to secondary school students in grades 9 through 12 who want or need a nontraditional 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.

Sebastian Charter Junior High, Inc., was established to educate students in grades 6 through 8 in a wholesome challenging environment, which fosters 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 the Charter Schools for the fiscal year ended June 30, 2005, were conducted by independent accounting firms and are on file at the District Administrative Office.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

➤ **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-functioning 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 – SBE/COBI Bond Fund – to account for the financial resources generated by State Board of Education/Capital Outlay Bond Issue.
- Capital Projects – Section 1011.14 Loan Fund – to account for the financial resources generated by the cited statutory provisions for loans.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, payments on operating leases, motor vehicle purchases, equipment purchases, and costs of environmental compliance.
- Capital Projects – Other Fund – to account for other financial resources generated for capital projects.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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.
- 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 2004-05 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's Internal Service Fund are charges for employee health insurance premiums. Operating expenses include insurance premiums, claims, and related expenses. All revenues and expenses not meeting this definition are reported as nonoperating 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.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 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 in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. The 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 \$1,000. 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:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

<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
Property 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.

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 2004 tax levy on September 7, 2004. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

As of June 30, 2005, the District had the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds - Trust Funds Investment Pool	54 Day Average	\$ 59,270,932.96
State Board of Administration Debt Service Accounts	6 Months	27,399.10
Mutual Funds (1)		<u>48,724.38</u>
Total Investments, Primary Government		<u>\$ 59,347,056.44</u>

Note (1) Mutual Funds - Invests only in U. S. Treasury Securities, guaranteed as to principal and interest and supported by the full faith and credit of the U.S. Government.

Credit Risk

- 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. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- The investment in the State Board of Administration investment pool and the Debt Service Accounts Fund is unrated.
- The investment in Mutual Funds is unrated.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-04	Additions	Deletions	Balance 6-30-05
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 6,087,805.55	\$ 20,828.70	\$	\$ 6,108,634.25
Land Improvements - Nondepreciable	189,729.10		990.00	188,739.10
Construction in Progress	7,169,650.27	19,337,888.79	21,107,626.17	5,399,912.89
Total Capital Assets Not Being Depreciated	13,447,184.92	19,358,717.49	21,108,616.17	11,697,286.24
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	10,819,741.03	1,328,414.18	140,574.64	12,007,580.57
Buildings and Fixed Equipment	169,375,221.19	21,107,626.17	1,920,850.19	188,561,997.17
Furniture, Fixtures, and Equipment	19,089,341.02	1,831,597.30	1,658,384.55	19,262,553.77
Motor Vehicles	6,652,814.27	338,206.24	94,224.51	6,896,796.00
Property Under Capital Lease	296,225.83	417,880.03		714,105.86
Audio Visual Materials and Computer Software	2,129,840.07	728,856.04	81,413.58	2,777,282.53
Total Capital Assets Being Depreciated	208,363,183.41	25,752,579.96	3,895,447.47	230,220,315.90
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	6,179,621.84	540,491.81	114,472.31	6,605,641.34
Buildings and Fixed Equipment	43,160,109.56	4,234,920.77	964,812.48	46,430,217.85
Furniture, Fixtures, and Equipment	13,363,726.41	2,280,359.15	1,548,199.14	14,095,886.42
Motor Vehicles	3,587,813.64	427,613.77	84,802.07	3,930,625.34
Property Under Capital Lease	24,259.85	80,094.62		104,354.47
Audio Visual Materials and Computer Software	1,097,848.71	405,735.83	61,463.53	1,442,121.01
Total Accumulated Depreciation	67,413,380.01	7,969,215.95	2,773,749.53	72,608,846.43
Total Capital Assets Being Depreciated, Net	140,949,803.40	17,783,364.01	1,121,697.94	157,611,469.47
Governmental Activities Capital Assets, Net	\$ 154,396,988.32	\$ 37,142,081.50	\$ 22,230,314.11	\$ 169,308,755.71

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Effective July 1, 2004, Section 274.02, Florida Statutes, increased the tangible personal property value threshold from \$750 to \$1,000. The effect of this change in accounting practice is reflected in the balance 7-1-04 column.

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 \$7,969,215.95 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:

	<u>Asset Balance</u>
Software (Payroll System)	\$ 415,000.00
Data Processing Equipment	295,978.95
Other Office Equipment	3,126.91
Total	\$ 714,105.86

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>
2006	\$ 223,602.17	\$ 192,435.23	\$ 31,166.94
2007	110,771.12	91,844.66	18,926.46
2008	88,299.76	74,930.91	13,368.85
2009	88,299.76	79,563.67	8,736.09
2010	88,299.76	83,478.60	4,821.16
Total Minimum Lease Payments	\$ 599,272.57	\$ 522,253.07	\$ 77,019.50

The stated interest rates range from 4.757 to 7.01 percent.

6. NOTE PAYABLE

Note payable is comprised of the following:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

	<u>Balance at 6-30-05</u>
<hr/>	
Revenue Anticipation Note - Bank of America	
<p>\$10,000,000, Borrowed 12-23-2004, Under provisions of Section 1011.14, Florida Statutes. Interest rate of 3 Percent. Proceeds used to repair damage to school facilities caused by Hurricanes Frances and Jeanne, and a new elementary school. Matures 12-23-2005. Payable from and secured by a prior lien upon and pledge of the proceeds of the discretionary capital outlay tax levy of the Board for its fiscal year ending June 30, 2006.</p>	
	<u>\$ 10,000,000</u>

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, bank loan are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2006	<u>\$ 10,300,000.00</u>	<u>\$ 10,000,000.00</u>	<u>\$ 300,000.00</u>

7. BONDS PAYABLE

Bonds payable at June 30, 2005, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<u> </u>	<u> </u>	<u> </u>	<u> </u>
State School Bonds:			
Series 1996-B, Refunding	\$ 150,000	4.375 - 4.625	2007
Series 2005-A	6,405,000	3 - 5	2025
District General Obligation Bonds:			
Series 2002, Refunding	19,020,000	3 - 5	2013
Series 2003, Refunding	<u>13,500,000</u>	2.5 - 5.0	2011
Total Bonds Payable	<u>\$ 39,075,000</u>		

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

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District General Obligation Bonds**

General Obligation Bonds, Refunding Series 2002 and 2003, are authorized by the Indian River County District School Board and secured by a pledge of property taxes levied, pursuant to Chapters 1010 and 1011, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2006	\$ 383,342.98	\$ 185,000.00	\$ 198,342.98
2007	567,418.75	280,000.00	287,418.75
2008	483,700.00	210,000.00	273,700.00
2009	498,200.00	235,000.00	263,200.00
2010	496,450.00	245,000.00	251,450.00
2011-2015	2,477,500.00	1,415,000.00	1,062,500.00
2016-2020	2,471,100.00	1,790,000.00	681,100.00
2021-2025	<u>2,475,043.75</u>	<u>2,195,000.00</u>	<u>280,043.75</u>
Total State School Bonds	<u>9,852,755.48</u>	<u>6,555,000.00</u>	<u>3,297,755.48</u>
General Obligation Bonds:			
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	4,881,222.50	4,060,000.00	821,222.50
2011-2013	<u>14,912,447.50</u>	<u>13,520,000.00</u>	<u>1,392,447.50</u>
Total General Obligation Bonds	<u>39,275,497.50</u>	<u>32,520,000.00</u>	<u>6,755,497.50</u>
Total	<u><u>\$49,128,252.98</u></u>	<u><u>\$39,075,000.00</u></u>	<u><u>\$10,053,252.98</u></u>

8. 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 the General Obligation Bonds, Series 2002 and 2003, in an irrevocable trust to provide for all future debt service payments. 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, 2005, General Obligation Bonds, Series 1991 and 1993, totaling \$26,435,000 outstanding are considered defeased in substance.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-04	Additions	Deductions	Balance 6-30-05	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Long-Term Claims Payable	\$ 819,769.23	\$	\$ 369,343.91	\$ 450,425.32	\$ 223,363.00
Note Payable		10,000,000.00		10,000,000.00	10,000,000.00
Obligations Under Capital Leases	219,025.59	464,771.55	161,544.07	522,253.07	192,435.23
Bonds Payable	37,035,000.00	6,405,000.00	4,365,000.00	39,075,000.00	3,720,000.00
Compensated Absences Payable	<u>7,908,699.08</u>	<u>1,765,957.67</u>	<u>1,628,814.15</u>	<u>8,045,842.60</u>	<u>1,628,814.15</u>
Total Governmental Activities	<u>\$45,982,493.90</u>	<u>\$18,635,729.22</u>	<u>\$6,524,702.13</u>	<u>\$58,093,520.99</u>	<u>\$15,764,612.38</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, 2005, the balance remaining for actual claims payable is \$440,625 due over the next three years. The amount due within one year is \$223,363.

10. 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 2005-06 fiscal year budget as a result of purchase orders outstanding at June 30, 2005.

11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 8,551.26	\$ 825,344.84
Capital Projects:		
Local Capital Improvement	19,939.38	9,940.11
Other	7,703.00	
Nonmajor Governmental Funds	110,212.00	147,346.92
Internal Service Fund	842,757.62	6,531.39
Total	<u>\$ 989,163.26</u>	<u>\$ 989,163.26</u>

Interfund receivable and payable balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. 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 Fund		2,862,473.26
Nonmajor Governmental Funds	117,473.26	105,000.00
Total	<u>\$ 2,967,473.26</u>	<u>\$ 2,967,473.26</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.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2004-05 fiscal year:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 11,745,479.00
Categorical Educational Programs:	
Class Size Reduction	6,006,432.00
Transportation	2,982,189.00
Instructional Materials	1,418,303.00
Discretionary Lottery Funds	899,191.00
Other	2,334,648.76
Gross Receipts Tax (Public Education Capital Outlay)	2,011,624.00
Classrooms For Kids	929,938.00
Classrooms First Program (via Osceola County District School Board)	897,039.00
Workforce Development Program	805,593.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	645,656.00
Charter School Capital Outlay	469,206.00
Hurricane Relief	318,755.00
Food Service Supplement	175,880.00
Mobile Home License Tax	137,050.32
Interest on Capital Outlay and Debt Service	8,020.18
Miscellaneous	428,117.30
	<u>428,117.30</u>
Total	<u>\$ 32,213,121.56</u>

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2004 tax roll for the 2004-05 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.436	\$ 66,448,799.00
Basic Discretionary Local Effort	0.510	6,234,159.00
Supplemental Discretionary Local Effort	0.073	892,340.00
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.480	5,867,444.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	24,447,682.00
Total	<u>8.499</u>	<u>\$ 103,890,424.00</u>

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

14. 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.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may 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 2004-05 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (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 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. Also, employer rates, other than for DROP participants, include 0.08 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the retirement class in which reemployed.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005, totaled \$3,437,075.66, \$4,467,476.35, and \$4,904,086.40, 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, 2005, totaled \$381,043.20.

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 from the Florida Department of Financial Services. 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.

15. 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 \$2,646 during the 2004-05 fiscal year for special termination benefits.

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

accumulated sick leave as deferred compensation; paid health insurance for five years; and a \$10,000 term life insurance policy for the life of the employee. The only portion of this early retirement incentive remaining is the \$10,000 term life insurance policy for the life of the employee.

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

The District reported a long-term liability totaling \$9,800.32 for the 62 remaining retirees of the two termination plans. This amount represents estimated term life insurance premiums in future years.

16. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
New Liberty Magnet Elementary:			
Architect	\$ 635,380.00	\$ 307,225.00	\$ 328,155.00
Contractor	13,327,415.00	893,551.00	12,433,864.00
Gifford Middle School Gymnasium:			
Architect	224,320.00	205,624.00	18,696.00
Contractor	4,409,218.00	1,840,993.00	2,568,225.00
Rosewood Elementary Multipurpose Room:			
Architect	57,612.00	51,655.00	5,957.00
Contractor	824,882.00	77,335.00	747,547.00
Gifford Middle School HVAC 400/900 Wing:			
Architect	20,000.00	15,000.00	5,000.00
Contractor	548,409.00	147,132.00	401,277.00
Total	<u>\$ 20,047,236.00</u>	<u>\$ 3,538,515.00</u>	<u>\$ 16,508,721.00</u>

17. 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:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Fiscal Year Ending June 30	Amount
2006	\$ 59,006.38
2007	56,038.92
2008	52,511.43
2009	48,917.71
2010	45,551.90
2011 - 2012	67,500.00
Total Minimum Payments Required	\$ 329,526.34

18. 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 2004-05 fiscal year, MTI had seven full-time members. In addition, MTI provided training on a fee basis to other nonmember districts and individual schools throughout central Florida. The Indian River County District School Board is the fiscal agent.

19. 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 the 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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 group 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. In addition, it is the property and casualty group's policy to carry excess coverages through commercial insurance carriers for workers' compensation and property loss claims in excess of \$1,000,000 and \$2,500,000, respectively. Settled claims resulting from these risks have exceeded commercial coverage within the past three fiscal years.

As a result of recording a liability for specific reserves incurred, but not reported claims, the property and casualty group has ending retained earnings of \$6,732,206 at June 30, 2005. Indian River County School District's portion of the retained earnings calculated at 15.8 percent of the total is approximately \$1,060,676.

A bus accident in January 1999 resulted in litigation, for which 7 claims settlements were enacted into law through the legislative claims bill process, resulting in actual awards totaling \$2,206,893.90. As of June 30, 2005, the remaining long-term liability totals \$440,625, of which \$221,875 is due in the 2005-06 fiscal year.

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

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
	<hr/>	<hr/>	<hr/>	<hr/>
2003-04	\$ 868,016.00	\$ 8,202,008.93	\$ (8,063,441.93)	\$1,006,583.00
2004-05	1,006,583.00	8,770,176.95	(7,206,570.55)	2,570,189.40

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2005

20. LITIGATION

There are six property and casualty claims where there is a possibility of litigation. The total reserve amount for these six cases is \$303,500. All of these cases are reserved in the assets of SCERMP.

21. SUBSEQUENT EVENTS

On September 27, 2005, the School Board approved the issuance of \$80,050,000 Certificates of Participation, Series 2005. The proceeds will be used to fund the construction of certain educational facilities. The closing date for this issue is November 21, 2005.

EXHIBIT - M
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 79,146.00	\$ 79,146.00	\$ 100,158.50	\$ 21,012.50
Federal Through State	250,000.00	262,917.68		(262,917.68)
Federal Through Local State	28,792,835.00	28,432,483.35	12,917.68	12,917.68
Local	<u>72,271,563.00</u>	<u>72,858,412.19</u>	<u>74,659,105.73</u>	<u>1,800,693.54</u>
Total Revenues	<u>101,393,544.00</u>	<u>101,632,959.22</u>	<u>103,196,875.68</u>	<u>1,563,916.46</u>
Expenditures				
Current - Education:				
Instruction	68,338,650.07	68,663,824.35	63,712,969.45	4,950,854.90
Pupil Personnel Services	2,957,989.80	3,095,035.86	2,997,012.49	98,023.37
Instructional Media Services	1,810,088.49	1,926,982.00	1,874,950.08	52,031.92
Instruction and Curriculum Development Services	4,459,476.80	4,893,819.77	4,693,747.58	200,072.19
Instructional Staff Training	581,662.91	612,339.78	424,958.01	187,381.77
Board of Education	2,478,982.64	1,564,559.97	1,080,589.00	483,970.97
General Administration	382,746.38	438,733.91	396,839.65	41,894.26
School Administration	6,209,849.95	6,378,808.72	6,260,755.30	118,053.42
Facilities Acquisition and Construction	563,244.37	975,935.34	757,518.48	218,416.86
Fiscal Services	997,021.05	1,041,256.56	1,017,366.27	23,890.29
Food Services		42,302.46	42,302.46	
Central Services	3,991,021.27	4,380,354.44	4,067,818.84	312,535.60
Pupil Transportation Services	3,633,845.42	3,710,472.78	3,634,597.33	75,875.45
Operation of Plant	10,199,122.77	11,186,871.21	10,759,397.46	427,473.75
Maintenance of Plant	3,281,368.54	5,149,312.86	4,908,541.93	240,770.93
Community Services	831,024.94	2,093,115.14	1,982,882.08	110,233.06
Fixed Capital Outlay:				
Facilities Acquisition and Construction		1,934,387.24	1,934,387.24	
Other Capital Outlay		1,480,296.68	722,778.20	757,518.48
Debt Service:				
Interest and Fiscal Charges	<u>13,000.00</u>	<u>13,000.00</u>	<u>9,684.84</u>	<u>3,315.16</u>
Total Expenditures	<u>110,729,095.40</u>	<u>119,581,409.07</u>	<u>111,279,096.69</u>	<u>8,302,312.38</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,335,551.40)</u>	<u>(17,948,449.85)</u>	<u>(8,082,221.01)</u>	<u>9,866,228.84</u>
Other Financing Sources				
Transfers In	2,850,000.00	2,850,000.00	2,850,000.00	
Proceeds from Sale of Capital Assets	20,000.00	17,728.26	17,728.26	
Insurance Loss Recoveries		6,125,035.19	6,123,455.48	(1,579.71)
Total Other Financing Sources	<u>2,870,000.00</u>	<u>8,992,763.45</u>	<u>8,991,183.74</u>	<u>(1,579.71)</u>
Net Change in Fund Balances	(6,465,551.40)	(8,955,686.40)	908,962.73	9,864,649.13
Fund Balances, July 1, 2004	<u>12,512,303.81</u>	<u>12,512,303.81</u>	<u>12,512,303.81</u>	
Fund Balances, June 30, 2005	<u>\$ 6,046,752.41</u>	<u>\$ 3,556,617.41</u>	<u>\$ 13,421,266.54</u>	<u>\$ 9,864,649.13</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



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

INDEPENDENT AUDITOR'S REPORT ON 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 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, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors. 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 assurance on the District's internal control. Our consideration of internal control 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.

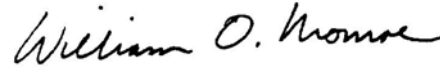
Compliance and Other Matters

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*.

We noted certain other deficiencies which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this report, and a certain instance of noncompliance related to Federal programs which 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

January 26, 2006



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, 2005. 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, 2005. However, as discussed in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB *Circular A-133*.

Internal Control Over Compliance

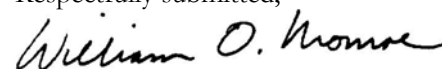
District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance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

January 26, 2006

**INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services: Food Donation	10.550 (2)	None	\$ 324,517.43
Florida Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	321	1,476,481.34
National School Lunch Program	10.555	300	2,544,975.19
Summer Food Service Program for Children	10.559	323	166,292.00
Total Child Nutrition Cluster			4,187,748.53
Child and Adult Care Food Program	10.558	302	85,421.47
Total Indirect			4,597,687.43
Total United States Department of Agriculture			4,597,687.43
United States Department of Interior:			
Direct:			
Cooperative Endangered Species Conservation Fund	15.615	None	5,000.00
United States Department of Education:			
Direct:			
Fund for the Improvement of Education	84.215	N/A	317,055.30
Indirect:			
Florida Department of Education: Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	3,262,769.69
Special Education - Preschool Grants	84.173	267	160,857.41
Total Special Education Cluster			3,423,627.10
Adult Education - State Grant Program	84.002	191	96,497.00
Title I Grants to Local Educational Agencies	84.010	212	1,958,520.70
Migrant Education - State Grant Program	84.011	217	297,932.56
Vocational Education - Basic Grants to States	84.048	151	193,457.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	139,367.67
State Grants for Innovative Programs	84.298	113	78,825.67
Education Technology State Grants	84.318	121	99,811.47
English Language Acquisition Grants	84.365	102	111,642.26
Improving Teacher Quality State Grants	84.367	224	683,465.74
Washington County District School Board: Reading First State Grants	84.357	None	17,366.56
Indian River Community College: Tech-Prep Education	84.243	None	14,102.96
Total Indirect			7,114,616.69
Total United States Department of Education			7,431,671.99
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education: Learn and Serve America - School and Community Based Programs	94.004	234	2,280.24
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs: Public Assistance Grants	97.036	None	28,038.98
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps.	None	N/A	100,158.50
Total Expenditures of Federal Awards			\$ 12,164,837.14

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2004-05 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance Food Donation. Represents the amount of donated food used during the 2004-05 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, 2005**

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, 2005:

- Except for the exclusion of the school internal funds, there was no modification to the opinion on the financial statements.
- No reportable conditions in internal control over financial reporting noted.
- No noncompliance was disclosed which is material to the financial statements.
- A certain matter was considered to be a reportable conditions 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: Title I Grants to Local Educational Agencies (CFDA No. 84.010); Migrant Education – State Grant Program (CFDA No. 84.011); Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; and Improving Teacher Quality State Grants (CFDA No. 84.367).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$364,945.11.
- The low risk entity threshold was not applied.

**INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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: \$ 53,515.88

Allowable Cost/Cost Principles (Documentation of Employee Time and Effort). United States Office of Management and Budget (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 2004-05 fiscal year, the District paid salaries and benefits totaling \$2,074,410.65 to employees from its Special Education – Grants to States program. As part of our audit of the Special Education-Grants to States program, we tested 17 employees whose salaries represented \$819,243.12 of the total salaries paid by this grant. Required certifications or personnel activity reports were not prepared for 14 of the 17 employees tested. Of this amount, salaries and benefits totaling \$765,727.24 were for 13 employees who worked and were paid 100 percent from grant funds. Subsequent to our inquiry, in December 2005, we were provided certifications for the 13 employees paid 100 percent from grant funds indicating that these employees worked 100 percent of their time on grant activities. Accordingly, we do not consider these payments of salaries and benefits to be questioned costs. The salary and benefits totaling \$53,515.88 was for 1 employee whose salary was charged partially to grant funds and partially to other cost objectives. As this employee was assigned tasks outside of the grant activities

and did not prepare personnel activity reports to support time spent working in the Special Education program, we consider this payment of salaries and benefits, totaling \$53,515.88, to be questioned costs.

Recommendation: The District should document to the grantor (Florida Department of Education) the allowability of the questioned costs, totaling \$53,515.88, or restore these moneys to the Special Education program. Additionally, the District should 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.

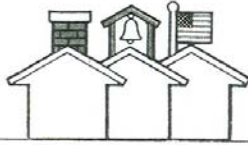
District Contact Person: Sue Titus, Executive Director of Finance

*INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2005*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2005-144 (1)	Special Education-Grants to States (CFDA No. 84.027)	Required certifications or personnel activity reports were not prepared.	Not Corrected.	

MANAGEMENT RESPONSE



School District of Indian River County

"A CommUNITY Partnership Toward Educational Excellence"

Linda D. Robertson, Superintendent

February 14, 2006

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

Dear Mr. Monroe:

The following is the response to the preliminary and tentative findings for the audit of the Indian River County School Board for the fiscal year ended June 30, 2005.

Finding 1: Disaster Preparedness Planning

Comment noted. In early 2005, the Risk Management Department began development of a Hurricane Planning and Response Plan including a Board Policy for Compensation for a Declared State of Emergency. The plan and policy approved by the Board on September 13, 2005 was implemented for Hurricane Wilma, addresses responsibilities of employees that work before, during and after the event.

The determination of essential and non-essential employees is made by the Superintendent prior to the event. The School District has an agreement with the Red Cross to provide personnel and services for operation of shelters. Required personnel include administrators, food service, custodial and maintenance staffing. The staffing plan is prepared in advance of the event by the Assistant Superintendent for Personnel, Director of Food and Nutrition Services, Director of Maintenance, Crew Chief for Custodians and the Director of Risk Management. Employees are scheduled for twelve (12) hour shifts and are responsible to perform the duties enumerated in their ordinary job descriptions.

Finding 2: Consulting Services

Comment noted. The District is in the process of promulgating a standard contract for professional and technical consulting services. This standard agreement will identify the type of services to be performed, estimated hours, fees, 1099 information when necessary, cancellation clause for non performance and a statement requesting a listing of deliverables and/or a report that will summarize the services performed when applicable. This contract will be used when the services extend beyond a one day period. If the scope of services is for a one day event the purchase order process may be used and it will also identify services to be performed, estimated hours, fees and a list of deliverables. This standard contract will be posted on our web page so that it can be downloaded by the various schools and departments when requesting or negotiating professional services.

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

MANAGEMENT RESPONSE (CONTINUED)

Finding 3: Construction Management at Risk Agreement – Performance Bond

Comment noted. The new Liberty Magnet school was contracted as a re-use of plans and specifications from the construction of the original Liberty Magnet school. Subsequent to issuance of the contract substantial costs for additional utility infrastructure, an additional classroom wing, plus “hardening” the structure to qualify as a hurricane shelter were added to the GMP on March 8, 2005. The District did not require an increase in the contractor’s payment and performance bond as a result of these additions. Contract language will be amended/added to insure that future projects are fully protected as required by Florida Statutes.

Finding 4: Construction Management at Risk Agreement – Penalty Clauses

Comment noted. The District will comply with Florida Statutes. The practice of deleting all penalties for failure to timely complete as scheduled will be re-examined.

Finding 5: Architect’s Professional Liability Insurance Requirements

Comment noted. Please refer to explanation in finding # 3. Contract language will be amended/added to insure architect’s professional liability insurance is adequate.

Federal Awards Finding No. 1: Allowable Cost/Cost Principles (Documentation of Employee Time and Effort).

Comment noted. The Exceptional Student Education Department has initiated an action plan to document the time and effort logs for positions paid from IDEA funding. All time and effort logs for the time period of August 2005 through December 2005 have been collected as required and are on file for future audits. The time and effort logs for one employee’s questioned costs totaling \$53,515.88 for the 2004-2005 fiscal year have been collected to cover the period of August 2004 through June 2005. These logs show that the psychologist who is paid 90% out of IDEA funding spent a total of 17 hours during the fiscal year of 2004-2005 assigned to tasks outside of the grant activities.

Sincerely,



Linda D. Robertson
Superintendent

c School Board Members