



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, 2006

Indian River County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>William D. Hughes, Chair</i>	<i>1</i>
<i>Lenora Quimby</i>	<i>2</i>
<i>Dr. R. Craig McGarvey, Vice-Chair to 11-21-05</i>	<i>3</i>
<i>Ann Reuter</i>	<i>4</i>
<i>Kathryn A. Wilson, Vice-Chair from 11-22-05</i>	<i>5</i>
<i>Dr. Duncan Pritchett, Jr., Interim Superintendent from 3-6-06</i>	
<i>Dr. Julius Teske, Interim Superintendent from 2-16 06 to 3-5-06</i>	
<i>Linda Robertson, Interim Superintendent from 1-24-06 to 2-15-06</i>	
<i>Thomas Maher, Superintendent until 12-15-05</i>	

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, 2006, 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: Architect's Professional Liability Insurance Requirements**

The District did not ensure that the architectural firm hired to provide architectural services for the Vero Beach High School Renovation project carried the amount of professional liability insurance required by the contract.

Finding No. 2: Fingerprinting and Background Checks

Improvements were needed in performing fingerprinting and background checks for contractual personnel. Our testing found that fingerprinting and background checks were not performed for some contractual personnel resulting in an increased risk that persons with unsuitable backgrounds may be allowed access to students.

Finding No. 3: Cost Benefit Analysis of Garbage Hauling Services

The District made the decision to continue hauling garbage for all schools and facilities and to purchase a garbage truck without performing a cost versus benefit analysis. In addition, a lease versus buy analysis was not performed prior to purchasing the new garbage truck.

Finding No. 4: Employment Agreements – Termination Clauses

Improvements were needed in the structuring of long-term employment contracts. The former Superintendent's employment contract contained a termination clause that did not clearly define compensation and benefits to be paid upon termination. Defining benefits to be paid upon termination may prevent contentious employment separation payments.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Disaster Grants programs were audited as major Federal programs. The results of our audit indicated that, except for the Disaster Grants – Public Assistance program, the District materially complied with the requirements applicable to the major Federal programs tested. We noted a compliance and internal control finding that is summarized below.

Federal Awards Finding No. 1: Allowable Costs/Cost Principles

The District was unable to provide disbursement and accounting records to support Federal Disaster Assistance funds advanced for hurricane damages occurring in September 2004 and October 2005, totaling \$509,681. Additionally, the District requested assistance, and was authorized to draw down funds on a reimbursement basis, from the Federal government program commonly called Federal Emergency Management Agency (FEMA). As of January 2007, approximately \$3 million had not been drawn down and, as a result, there is an increased risk that District resources may be used in place of readily available Federal funds.

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. 2006-122.

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, 2006. 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 Tim L. Tucker. 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 and other audit reports prepared by the Auditor General can be obtained on our Web site 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

Additional Matters

Finding No. 1: Architect's Professional Liability Insurance Requirements

The District entered into a contract with an architectural firm in June 2005, as amended in December 2005, to provide architectural services for the Vero Beach High School Renovation (VBHS) project. The District's procedures require architectural firms to provide professional liability insurance ranging from \$500,000 to \$3,000,000 depending on the probable construction cost of the project. For the VBHS Renovation project, the construction costs exceeded \$12,000,000 and, according to the contract, required \$3,000,000 of professional liability insurance coverage. Our review of the certificate of professional liability coverage provided by the District disclosed that the architectural firm carried \$1,000,000 per claim with a \$2,000,000 annual aggregate in professional liability coverage, which was less than the contract requirement. A similar finding was noted in our report No. 2006-122.

Recommendation: The District should enhance procedures to limit exposure to the various risks of possible loss relating to the services provided by its architectural firms by ensuring that the required amount of professional liability insurance is carried by its architectural firms.

Finding No. 2: Fingerprinting and Background Checks

Section 1012.465, Florida Statutes, was amended effective September 1, 2005, to include provisions of the Jessica Lunsford Act and requires contractual personnel who have direct contact with students or are permitted access on school grounds when students are present to meet certain background screening requirements. Although the District implemented procedures to perform background checks of contractors, our testing indicated that improvements were needed in implementing the requirements of law.

Our tests of the eight special education contractors working directly with students disclosed two for whom fingerprinting and background checks had not been performed. We also tested personnel of the construction manager for the Vero Beach High Renovation project who were permitted on school grounds when students were present. We noted that background checks had not been performed for three of the five individuals designated as on-site personnel for the project. Absent the required fingerprinting and background screenings, there is an increased risk that contractor personnel with inappropriate backgrounds may be allowed contact with students.

Recommendation: The District should continue efforts to implement procedures to ensure that all contractors who may have contact with students are screened with fingerprinting and background checks, or evidence of screening by another agency is obtained for District records.

Finding No. 3: Cost Benefit Analysis of Garbage Hauling Services

The District operates its own trash hauling service and picks up and disposes of refuse from schools and other District sites on a daily basis. During our audit testing, we noted that after five years of service, the District's garbage truck was replaced at a cost of \$168,000 and the decision was made to continue the in-house trash hauling service rather than contract out these services. We requested a cost benefit analysis of the District's trash hauling services compared to a private trash hauler's service. We were advised that a detailed cost benefit analysis, consisting of truck costs, driver salary, fuel, and maintenance costs compared to a private hauler had not been completed in over ten years.

We also requested a "lease versus buy analysis" for the garbage truck, and were informed that the District's decision to purchase the vehicle was based on past experience and the year-end availability of funds in the Capital Projects Fund, and that a "lease versus buy analysis" had not been completed.

Recommendation: The District should perform a detailed cost benefit analysis comparing all factors involved, such as capital and operating costs, before continuing services usually contracted out by other Districts. In addition, a formal, detailed lease versus buy analysis should be performed for major capital asset acquisitions.

Finding No. 4: Employment Agreements – Termination Clauses

On December 15, 2005, the Board terminated its employment contract with the former Superintendent "without cause." Within the employment contract, the "termination of employment" section defined "termination by school board without cause" and "termination by school board with cause." In the event of "termination by school board without cause" the Board was required to pay monthly, in the form of liquidating damages, a severance payment equal to salary payments and benefits which he would have received over the remaining term of the agreement or a maximum of eighteen (18) months. At the time of termination, 18 months remained on the contract. The Board and former Superintendent each hired an attorney as counsel to negotiate the severance package. The Board's attorney disputed benefits, totaling \$117,629, claimed by the former Superintendent as future compensation based on continued employment for the remaining 18 months of the contract. These benefits included such items as performance bonuses, vacation days, a car allowance, and Florida Retirement System payments.

On April 4, 2006, the Board agreed to settle with the former Superintendent for \$372,246, inclusive of all disputed benefits, with all payments made directly to the former Superintendent. The Board's decision to settle with the former Superintendent was based on the liquidating damages provision in the contract. We do not question the Board's authority to settle with the former Superintendent. However, since the employment contract did not clearly define compensation and benefits to be paid upon termination as liquidating damages, the Board was placed in the untenable position of defining benefits during termination negotiations.

Recommendation: The Board should enumerate and define in future employment contracts the specific compensation, reimbursable expenses, performance bonuses, retirement benefits, and any other items to be paid as liquidating damages by the Board in the event of termination with or without cause.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2006-122.

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 64 and 65.

FINANCIAL SECTION

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

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

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

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

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

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

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

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

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

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

EXHIBIT – L *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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



WILLIAM O. MONROE, CPA
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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, 2006, which collectively comprise the District's basic financial statements as listed on page 4. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, the District is required to otherwise provide for audits of the school and activity funds, commonly called the school internal funds. Accordingly, our audit did not extend to the school internal funds reported as Agency Funds on the

accompanying basic financial statements. These financial activities represent 6 percent of the assets and 18 percent of the liabilities 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, 2006, 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, 2006, 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.

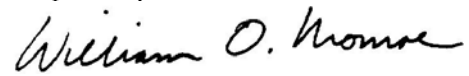
In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Indian River County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 8 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 *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the

audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

February 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Indian River County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2006. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 16 through 51.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2005-06 fiscal year are as follows:

- In order to meet the demands for facility space for the next five years, the Indian River County School Board approved the issuance of Certificates of Participation in 2005-06. The amount issued was \$80,050,000 and will be repaid utilizing 2 mill capital outlay funds over the next 20 years. The proceeds generated from the Certificates of Participation are earmarked for a land purchase, major remodeling and renovations to Vero Beach High School, renovations and expansion of the Alternative Center and a music wing addition for Sebastian River Middle School.
- School construction impact fees were adopted in July 2005 and produced approximately \$5.4 million in new revenue. It is anticipated that a spending plan for impact fees collected will be initiated during the 2006-07 school year.
- The Indian River County School District suffered an estimated \$900,000 in damages to its facilities and incurred approximately \$100,000 of expenses related to protective hurricane measures and shelter management costs when Hurricane Wilma impacted the area October 2005. In addition, the District continues to recover from Hurricanes Frances and Jeanne which occurred in 2004. The costs of all repairs and shelter costs are expected to be covered by the District's insurance policy and Public Assistance Grants (FEMA).
- The District met its strategic plan goal of 3 percent of operating revenues as a minimum fund balance in the operating fund. Bond rating companies and various auditing groups use fund balance reserves to assess the District's financial solvency.
- The District continued its contract with Blue Cross/Blue Shield (BCBS) for the administration of its self-insured health insurance plan in 2005-06. 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 four years.
- In an effort to comply with Florida's Class Size Constitutional Amendment, 31 additional teachers were hired to meet the goal of reducing class size by an average of two students per grade grouping (K-3, 4-8, 9-12), resulting in increased instructional expenses. The District met the requirements of the Constitutional Amendment for the 2005-06 fiscal year. Since inception of the law, the District has hired a total of 125 additional teachers.
- The District's student enrollment increased by 214 students or approximately 1.3 percent over the preceding fiscal year. This resulted in an increase in State education finance program funds.

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. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

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, the Capital Projects – Local Capital Improvement Fund, and the 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 predominately 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 scholarship funds established by private donors.

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 serves 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, 2006, compared to net assets as of June 30, 2005:

Net Assets, End of Year

	Governmental Activities	
	6-30-06	6-30-05
Current and Other Assets	\$ 125,136,480.65	\$ 68,170,215.42
Capital Assets	213,211,560.39	169,308,755.71
Total Assets	338,348,041.04	237,478,971.13
Long-Term Liabilities	124,806,398.91	58,093,520.99
Other Liabilities	12,437,973.12	8,631,037.98
Total Liabilities	137,244,372.03	66,724,558.97
Net Assets:		
Invested in Capital Assets - Net of Debt	153,265,836.01	119,711,502.64
Restricted	37,120,803.81	42,769,057.69
Unrestricted	10,717,029.19	8,273,851.83
Total Net Assets	\$ 201,103,669.01	\$ 170,754,412.16

The largest portion of the District's net assets (76 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 (19 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, 2006, and June 30, 2005, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-06	6-30-05
Program Revenues:		
Charges for Services	\$ 4,012,663.78	\$ 3,531,378.30
Operating Grants and Contributions	8,280,034.05	7,733,971.57
Capital Grants and Contributions	3,057,703.77	3,595,140.66
General Revenues:		
Property Taxes, Levied for Operational Purposes	81,181,505.10	71,073,091.18
Property Taxes, Levied for Debt Service	4,968,785.60	5,671,235.13
Property Taxes, Levied for Capital Projects	27,589,717.92	23,586,621.64
Grants and Contributions Not Restricted to Specific Programs	30,315,054.39	24,893,439.97
Restricted Investment Earnings	1,517,700.83	
Unrestricted Investment Earnings	2,807,609.24	1,239,808.75
Miscellaneous	15,350,529.74	22,179,668.47
Total Revenues	179,081,304.42	163,504,355.67
Functions/Program Expenses:		
Instruction	73,351,228.30	67,291,311.38
Pupil Personnel Services	4,254,907.48	3,922,421.91
Instructional Media Services	1,994,326.61	1,865,454.18
Instruction and Curriculum Development Services	6,154,784.50	5,939,009.34
Instructional Staff Training	1,085,614.84	717,497.16
Instructional Related Technology	424,208.92	
Board of Education	926,023.62	712,259.01
General Administration	800,921.06	754,213.95
School Administration	6,841,394.09	6,302,626.64
Facilities Acquisition and Construction	6,730,912.88	4,930,789.01
Fiscal Services	996,131.89	1,020,672.32
Food Services	7,621,840.46	6,936,471.78
Central Services	2,188,985.05	4,061,350.30
Pupil Transportation Services	4,083,041.56	3,655,403.21
Operation of Plant	12,156,321.75	10,772,220.07
Maintenance of Plant	3,676,379.03	4,895,825.71
Administrative Technology Services	1,625,167.53	
Community Services	960,501.81	2,016,769.87
Interest on Long-Term Debt	3,745,343.72	1,860,305.42
Unallocated Depreciation Expenses	8,892,137.47	7,969,215.95
Loss on Disposal of Capital Assets		1,122,687.94
Extraordinary Item (Claims Settlement)	221,875.00	366,875.00
Total Functions/Program Expenses and Extraordinary Item	148,732,047.57	137,113,380.15
Increase in Net Assets	\$ 30,349,256.85	\$ 26,390,975.52

The largest revenue source is the local school taxes (64 percent). The property tax increase is not a result of higher millage levied, but because of increased property values for the county.

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

Instructional expenses represent 49 percent of total governmental expenses in the 2005-06 fiscal year. Instructional expenses increased by \$6 million, or 9 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The focus of the District governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$105,488,046.08, an increase of \$50,638,862.98 in comparison with the prior year. A portion of these funds are unrestricted fund balances, which are available for spending at the government's discretion. The remainder of fund balance is reserved and not available for new spending because it has already been committed to: 1) liquidate contracts and purchase orders outstanding at year-end; 2) pay debt service; 3) fund State categorical programs; or 4) fund grants and fee-based programs which have budgets outstanding at the end of the fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$11,108,966.87, while the total fund balance of the General Fund is \$12,751,177.38. The unreserved fund balance increased by \$1,142,792.71, while the total fund balance decreased by \$670,089.16 during the fiscal year.

The capital projects funds are comprised of five funds, two of which are reported as major funds. The major funds are: Local Capital Improvement Fund and Capital Projects - Other Fund. The Local Capital Improvement Fund has a total fund balance of \$24,745,821.63. This fund generates the major portion of annual capital sources by levying capital outlay taxes. By law, this millage is limited to 2.0 mills and is currently set at the maximum. The Capital Projects - Other Fund has a total fund balance of \$63,401,643.15. The Capital Outlay - Other Fund mainly consists of Certificates of Participation, Classrooms for Kids, and insurance loss recoveries. The fund balances increased in these funds in the current year due to an increase in local revenues and the issuance of Certificates of Participation. The capital projects funds have a total combined fund balance of \$90,875,687.89, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

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 \$6,510,784.62 at June 30, 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2005-06 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues amounting to \$1,234,023.14, or 1 percent. Budget revisions

were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are \$9,039,168.24, or 7 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$10,435,399.09.

The District continued to maintain a minimum reserve of 3 percent of its operating revenue and continues 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, 2006, amounts to \$213,211,560.39 (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 26 percent.

Major capital asset events during the current fiscal year included the following:

- Completion of Liberty Magnet Elementary
- Major remodeling and expansion of the Alternative Center
- Rebuild of the Gifford Middle School Gymnasium
- Purchase of 154 acres of land for future use

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

Long-Term Debt

At June 30, 2006, the District has total long-term debt outstanding of \$116,601,426.01, including unamortized premiums. This amount is comprised of \$329,818.82 of capital leases, \$80,916,607.19 in Certificates of Participation, and \$35,355,000 of bonds payable. During the year, the District retired \$3,912,434.25 in bonds payable and capital lease debt, and issued Certificates of Participation, incurring additional debt of \$80,050,000. The result is a net increase of long-term debt outstanding of \$67,004,172.94.

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 following are other matters of significance which may have an effect on financial position or results of operations:

- The unemployment rate for the District (Indian River County, Florida) in June 2006 is 4.1 percent, which is down 1.4 percent from a year ago. This compares unfavorably to the State's June 2006 unemployment rate of 3.3 percent.
- The record increase in the issuance of building permits in the county 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.

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.

EXHIBIT - A
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 1,093,866.42	\$ 1,044,714.00
Investments	121,282,192.63	
Accounts Receivable	88,014.71	1,344.00
Interest Receivable		6,764.00
Deposits Receivable	100.00	2,035.00
Prepaid Items	75,000.00	66,354.00
Due from Other Agencies	869,579.71	260,369.00
Deferred Charges: Issuance Costs	999,761.02	78,229.00
Inventories	727,966.16	
Capital Assets:		
Land	21,002,422.95	218,232.00
Land Improvements - Nondepreciable	188,739.10	7,187.00
Timeshare Interest - Nondepreciable		10,000.00
Construction in Progress	16,639,140.85	
Improvements Other Than Buildings, Net	6,596,633.50	477,082.00
Buildings and Fixed Equipment, Net	158,475,942.82	5,469,393.00
Furniture, Fixtures, and Equipment, Net	4,506,415.03	330,982.00
Motor Vehicles, Net	4,063,700.18	
Property Under Capital Lease, Net	467,262.83	7,680.00
Audio Visual Materials and Computer Software, Net	1,271,303.13	4,824.00
	\$ 338,348,041.04	\$ 7,985,189.00
LIABILITIES		
Payroll Deductions and Withholdings	\$ 387,219.89	\$ 133.00
Accrued Expenses		181,913.00
Accounts Payable	2,254,322.35	27,189.00
Construction Contracts Payable	2,232,832.44	
Construction Contracts Payable - Retainage	1,949,873.83	
Accrued Interest Payable	300,084.19	
Due to Other Agencies	1,142,187.85	
Sales Tax Payable	13.79	
Deferred Revenue	1,164,435.86	131,271.00
Estimated Insurance Claims Payable	3,007,002.92	
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable		32,581.00
Mortgage Payable		234,144.00
Obligations Under Capital Leases	91,844.66	2,796.00
Bonds Payable	3,955,000.00	
Certificates of Participation Payable	2,945,610.91	
Estimated Long-Term Claims Payable	148,363.00	
Compensated Absences Payable	2,116,395.47	
Portion Due After One Year:		
Notes Payable		431,010.00
Mortgage Payable		3,395,714.00
Obligations Under Capital Leases	237,974.16	5,647.00
Bonds Payable	31,400,000.00	
Certificates of Participation Payable	77,970,996.28	
Estimated Long-Term Claims Payable	82,642.59	
Compensated Absences Payable	5,857,571.84	
	137,244,372.03	4,442,398.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	153,265,836.01	2,491,717.00
Restricted for:		
State Categorical Programs	566,595.99	
Debt Service	1,334,460.54	
Capital Projects	35,219,747.28	224,648.00
Unrestricted	10,717,029.19	826,426.00
	201,103,669.01	3,542,791.00
TOTAL LIABILITIES AND NET ASSETS	\$ 338,348,041.04	\$ 7,985,189.00

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

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EXHIBIT - B
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 73,351,228.30	\$ 159,300.00	\$	\$
Pupil Personnel Services	4,254,907.48			
Instructional Media Services	1,994,326.61			
Instruction and Curriculum Development Services	6,154,784.50			
Instructional Staff Training Services	1,085,614.84			
Instruction Related Technology	424,208.92			
Board of Education	926,023.62			
General Administration	800,921.06			
School Administration	6,841,394.09			
Facilities Acquisition and Construction	6,730,912.88			2,557,686.36
Fiscal Services	996,131.89			
Food Services	7,621,840.46	2,670,069.88	4,819,702.05	
Central Services	2,188,985.05			
Pupil Transportation Services	4,083,041.56	9,667.74	3,460,332.00	
Operation of Plant	12,156,321.75			
Maintenance of Plant	3,676,379.03			
Administrative Technology Services	1,625,167.53			
Community Services	960,501.81	1,173,626.16		
Interest on Long-Term Debt	3,745,343.72			500,017.41
Unallocated Depreciation Expenses	8,892,137.47			
Total Primary Government	\$ 148,510,172.57	\$ 4,012,663.78	\$ 8,280,034.05	\$ 3,057,703.77
Component Units:				
Charter Schools	\$ 5,140,871.00	16,072.00	52,453.00	370,232.00

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
Restricted Investment Earnings
Unrestricted Investment Earnings
Miscellaneous
Extraordinary Item:
Claims Settlement

Total General Revenues and Extraordinary Item

Change in Net Assets

Net Assets - July 1, 2005

Net Assets - June 30, 2006

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

**EXHIBIT - C
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006**

	General Fund	Capital Projects - Local Capital Improvement Fund
ASSETS		
Cash	\$ 65,005.44	\$ 312,914.04
Investments	13,527,617.54	27,837,657.28
Accounts Receivable	87,921.71	
Deposits Receivable	100.00	
Prepaid Items	75,000.00	
Due from Other Funds	108,114.36	10,010.90
Due from Other Agencies	605,752.02	
Inventories	433,938.76	
	\$ 14,903,449.83	\$ 28,160,582.22
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payroll Deductions and Withholdings	\$ 336,902.71	\$
Accounts Payable	781,283.72	1,001,991.51
Construction Contracts Payable		1,236,600.40
Construction Contracts Payable - Retainage		1,073,932.14
Sales Tax Payable	13.79	
Due to Other Funds	74,575.05	102,236.54
Due to Other Agencies	941,982.96	
Deferred Revenue	17,514.22	
	2,152,272.45	3,414,760.59
Total Liabilities		
Fund Balances:		
Reserved for State Categorical Programs	566,595.99	
Reserved for Encumbrances	641,675.76	6,168,603.71
Reserved for Inventories	433,938.76	
Reserved for Debt Service		
Unreserved:		
Designated, Reported in General Fund:		
Designated for Local Carryover Projects	2,854,526.28	
Undesignated, Reported in:		
General Fund	8,254,440.59	
Special Revenue Funds		
Capital Projects Funds		18,577,217.92
	12,751,177.38	24,745,821.63
Total Fund Balances		
	\$ 14,903,449.83	\$ 28,160,582.22
TOTAL LIABILITIES AND FUND BALANCES		

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

EXHIBIT - C

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 7.62	\$ 133.45	\$ 378,060.55
64,715,143.01	5,247,325.41	111,327,743.24
	93.00	88,014.71
		100.00
		75,000.00
	59,694.15	177,819.41
228,736.58	35,091.11	869,579.71
	294,027.40	727,966.16
<u>\$ 64,943,887.21</u>	<u>\$ 5,636,364.52</u>	<u>\$ 113,644,283.78</u>
\$ 385,352.69	\$ 50,317.18	\$ 387,219.89
618,938.00	75,624.09	2,244,252.01
537,953.37	377,294.04	2,232,832.44
	337,988.32	1,949,873.83
		13.79
	5,532.08	182,343.67
	200,204.89	1,142,187.85
		17,514.22
<u>1,542,244.06</u>	<u>1,046,960.60</u>	<u>8,156,237.70</u>
2,051,457.90	991,366.68	566,595.99
	294,027.40	9,853,104.05
	1,334,460.54	727,966.16
		1,334,460.54
		2,854,526.28
		8,254,440.59
	198,547.22	198,547.22
61,350,185.25	1,771,002.08	81,698,405.25
<u>63,401,643.15</u>	<u>4,589,403.92</u>	<u>105,488,046.08</u>
<u>\$ 64,943,887.21</u>	<u>\$ 5,636,364.52</u>	<u>\$ 113,644,283.78</u>

**EXHIBIT - D
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances - Governmental Funds \$ 105,488,046.08

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. 213,211,560.39

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. 6,510,784.62

Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the related debt. 999,761.02

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (300,084.19)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Estimated Long-Term Claims Payable	\$	231,005.59	
Obligations Under Capital Leases		329,818.82	
Bonds Payable		35,355,000.00	
Certificates of Participation Payable		80,916,607.19	
Compensated Absences Payable		7,973,967.31	(124,806,398.91)

Total Net Assets - Governmental Activities \$ 201,103,669.01

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, 2006

	General Fund	Capital Projects - Local Capital Improvement Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 105,296.44	\$
Federal Through State		
Federal Through Local	13,992.00	
State	26,141,212.18	
Local	86,284,808.47	28,414,298.84
Total Revenues	112,545,309.09	28,414,298.84
Expenditures		
Current - Education:		
Instruction	69,951,033.98	
Pupil Personnel Services	3,428,881.08	
Instructional Media Services	2,012,970.96	
Instruction and Curriculum Development Services	4,838,074.45	
Instructional Staff Training Services	632,653.90	
Instruction Related Technology	428,714.11	
Board of Education	1,371,049.27	
General Administration	449,676.16	
School Administration	6,918,486.09	
Facilities Acquisition and Construction	738,345.77	4,871,302.64
Fiscal Services	1,061,400.61	
Food Services	50,635.30	
Central Services	2,445,102.84	
Pupil Transportation Services	4,100,191.24	
Operation of Plant	12,225,200.50	
Maintenance of Plant	3,702,439.53	
Administrative Technology Services	1,639,343.03	
Community Services	962,226.60	
Fixed Capital Outlay:		
Facilities Acquisition and Construction	764,305.23	8,787,745.82
Other Capital Outlay	551,701.60	2,548,837.85
Debt Service:		
Principal		
Interest and Fiscal Charges		
Dues, Fees, and Issuance Costs		
Total Expenditures	118,272,432.25	16,207,886.31
Excess (Deficiency) of Revenues Over Expenditures	(5,727,123.16)	12,206,412.53
Other Financing Sources (Uses)		
Transfers In	2,998,500.00	
Certificates of Participation Issued		
Premium on Certificates of Participation		
Proceeds from Sale of Capital Assets	44,280.50	
Insurance Loss Recoveries	2,014,253.50	
Transfers Out		(3,817,175.81)
Total Other Financing Sources (Uses)	5,057,034.00	(3,817,175.81)
Net Change in Fund Balances	(670,089.16)	8,389,236.72
Fund Balances, July 1, 2005	13,421,266.54	16,356,584.91
Fund Balances, June 30, 2006	\$ 12,751,177.38	\$ 24,745,821.63

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

EXHIBIT - E

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 300,000.00	\$ 365,927.44 11,509,168.38	\$ 471,223.88 11,809,168.38 13,992.00
630,429.13	2,586,766.64	29,358,407.95
<u>7,564,200.88</u>	<u>8,121,983.45</u>	<u>130,385,291.64</u>
<u>8,494,630.01</u>	<u>22,583,845.91</u>	<u>172,038,083.85</u>
	3,986,581.67	73,937,615.65
	869,566.87	4,298,447.95
		2,012,970.96
	1,364,563.36	6,202,637.81
	453,789.53	1,086,443.43
		428,714.11
		1,371,049.27
	356,152.76	805,828.92
		6,918,486.09
330,824.59	890,933.01	6,831,406.01
		1,061,400.61
	7,649,032.01	7,699,667.31
		2,445,102.84
	36,896.08	4,137,087.32
		12,225,200.50
		3,702,439.53
		1,639,343.03
		962,226.60
25,189,302.76	14,154,947.86	48,896,301.67
240,505.64	276,441.20	3,617,486.29
	13,912,434.25	13,912,434.25
	3,874,544.34	3,874,544.34
<u>1,052,380.02</u>	<u>100,758.46</u>	<u>1,153,138.48</u>
<u>26,813,013.01</u>	<u>47,926,641.40</u>	<u>209,219,972.97</u>
<u>(18,318,383.00)</u>	<u>(25,342,795.49)</u>	<u>(37,181,889.12)</u>
	10,452,587.32	13,451,087.32
78,854,217.91	1,195,782.09	80,050,000.00
	912,218.10	912,218.10
		44,280.50
4,800,000.00		6,814,253.50
<u>(9,373,094.40)</u>	<u>(260,817.11)</u>	<u>(13,451,087.32)</u>
<u>74,281,123.51</u>	<u>12,299,770.40</u>	<u>87,820,752.10</u>
55,962,740.51	(13,043,025.09)	50,638,862.98
<u>7,438,902.64</u>	<u>17,632,429.01</u>	<u>54,849,183.10</u>
<u>\$ 63,401,643.15</u>	<u>\$ 4,589,403.92</u>	<u>\$ 105,488,046.08</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, 2006

Net Change in Fund Balances - Governmental Funds	\$	50,638,862.98
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.		43,718,118.11
Proceeds from issuance of certificates of participation provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of 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.		(66,137,565.75)
Premiums and debt issuance costs are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.		133,153.83
The net change in estimated long-term claims payable is reported in the statement of activities, but not in the governmental funds statement.		219,419.73
The undepreciated cost of capital assets disposed of 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.		(251,344.58)
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 at year-end, less the amount accrued in the prior year.		236,967.17
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 paid in the current period in excess of the amount earned.		71,875.29
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.		436,031.15
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.		<u>1,283,738.92</u>
Change in Net Assets - Governmental Activities	\$	<u>30,349,256.85</u>

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, 2006**

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Current Assets:	
Cash	\$ 715,805.87
Investments	9,954,449.39
Due From Other Funds	<u>4,870.00</u>
TOTAL ASSETS	<u><u>\$ 10,675,125.26</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 10,070.34
Due to Other Funds	345.74
Deferred Revenue	1,146,921.64
Estimated Insurance Claims Payable	<u>3,007,002.92</u>
Total Liabilities	<u>4,164,340.64</u>
NET ASSETS	
Unrestricted	<u>6,510,784.62</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,675,125.26</u></u>

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

**EXHIBIT - H
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 14,381,411.61
Other Operating Revenues	76,956.00
Total Operating Revenues	14,458,367.61
OPERATING EXPENSES	
Insurance Claims	9,582,094.42
Insurance Premiums	2,121,375.59
Service Agent Fees	1,791,601.38
Other Expenses	52,449.27
Total Operating Expenses	13,547,520.66
Operating Income	910,846.95
NONOPERATING REVENUES	
Interest	363,880.35
Loss Recoveries	9,011.62
Total Nonoperating Revenues	372,891.97
Change in Net Assets	1,283,738.92
Total Net Assets, July 1, 2005	5,227,045.70
Total Net Assets, June 30, 2006	\$ 6,510,784.62

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, 2006**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received for Premiums	\$ 14,464,334.62
Cash Received from Other Operating Revenues	76,956.00
Cash Payments for Reinsurance Premiums	(2,121,375.59)
Cash Payments to Employees for Services	(58,849.56)
Cash Payment for Other Fees	(1,791,601.38)
Cash Payment for Insurance Claims	(9,145,280.90)
	1,424,183.19
Net Cash Provided by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other	9,011.62
	9,011.62
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(1,857,978.61)
Interest Income	363,880.35
	(1,494,098.26)
Net Cash Used by Investing Activities	
Net Decrease in Cash	(60,903.45)
Cash, Beginning	776,709.32
	776,709.32
Cash, Ending	\$ 715,805.87
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 910,846.95
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	39,685.76
Decrease in Due From Other Funds	837,887.62
Decrease in Due To Other Funds	(6,185.65)
Decrease in Deferred Revenues	(794,650.37)
Decrease in Accounts Payable	(214.64)
Increase in Estimated Insurance Claims Payable	436,813.52
	513,336.24
Total Adjustments	
Net Cash Provided by Operating Activities	\$ 1,424,183.19

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, 2006

	Private-Purpose Trust Fund	Agency Funds (Unaudited)
ASSETS		
Cash	\$ 1,218.28	\$ 382,909.19
Investments	78,447.63	748,736.50
TOTAL ASSETS	\$ 79,665.91	\$ 1,131,645.69
LIABILITIES		
Due to Other Agencies	\$	\$ 97,700.21
Internal Accounts Payable		1,033,945.48
Total Liabilities		\$ 1,131,645.69
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	79,665.91	
TOTAL LIABILITIES AND NET ASSETS	\$ 79,665.91	

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, 2006

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings:	
Net Decrease in Fair Value of Investments	\$ (2,224.36)
Interest, Dividends, and Other	3,225.60
Total Investment Earnings	1,001.24
DEDUCTIONS	
Other Expenses	2,000.00
Change in Net Assets Held in Trust For:	
Scholarships for Individuals	(998.76)
Net Assets, July 1, 2005	80,664.67
Net Assets, June 30, 2006	\$ 79,665.91

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, 2006

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:

- **Blended Component Unit.** The Indian River County School Board Leasing Corporation, Inc., was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Indian River County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **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 6 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. The School was officially closed at the end of the first semester on December 22, 2005.

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.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Sebastian Charter Junior High, Inc., was established to educate students in grades 6 through 8 in a challenging and wholesome environment which will provide an educational environment where students will have learning opportunities that set high expectations for academic growth, foster individual achievement and stress 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, 2006, were conducted by independent accounting firms and are on file at the District Administrative Office.

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, payments on operating leases, motor vehicle purchases, equipment purchases, and costs of environmental compliance.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

- Capital Projects – Other Fund – to account for other financial resources generated for capital projects.

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

- Internal Service Fund – to account for the District's individual self-insurance programs.
- Private-Purpose Trust Fund – to account for resources of the Esther Waldo Schraubstauder Scholarship 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 2005-06 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 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.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. For the Internal Service Fund (a proprietary 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 mutual funds 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, 2006

<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. Premiums on debt issuance, as well as issuance costs, are deferred and amortized over the life of the certificates.

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

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

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2005 tax levy on September 6, 2005. 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:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders and other contract commitments 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, 2006, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds - Trust Funds Investment Pool	27 Day Average	\$ 121,868,303.19
State Board of Administration Debt Service Accounts	6 Months	144,039.19
Mutual Funds:		
U.S. Government Securities Trust (1)	N/A	46,500.02
STI Classic Money Market Fund (2)	6 days	50,534.36
Total Investments, Primary Government		<u>\$ 122,109,376.76</u>

- Notes:** (1) The U.S. Government Securities Trust invests exclusively in U.S. Government securities.
(2) STI Classic Money Market Fund invests exclusively in U.S. Treasury obligations, U.S. Government guaranteed repurchase agreements collateralized by U.S. Treasury obligations or U. S. Government guaranteed securities.

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investments maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

public depositories, as defined in Section 280.02, Florida Statutes. 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.
- As of June 30, 2006, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
- As of June 30, 2006, the District's investments in the STI Classic Money Market Fund were rated AAAm by Standard and Poor's and Aaa by Moody's Investor Services.
- As of June 30, 2006, the District's investments in the U.S. Government Securities Trust are 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 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.
- Of the District's investments, \$57 million in State Board of Administration Local Government Surplus Funds – Trust Funds Investment Pool and the investment in the STI Classic Money Market Fund are held under trust agreements pursuant to financing arrangements for the Certificates of Participation, Series 2005C, by a trustee in the District's name.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 6,108,634.25	\$ 14,893,788.70	\$	\$ 21,002,422.95
Improvements Other Than Buildings	188,739.10			188,739.10
Construction in Progress	5,399,912.89	14,079,710.14	2,840,482.18	16,639,140.85
Total Capital Assets Not Being Depreciated	11,697,286.24	28,973,498.84	2,840,482.18	37,830,302.90
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	12,007,580.57	1,850,420.72	54,661.62	13,803,339.67
Buildings and Fixed Equipment	188,561,997.17	21,390,506.52		209,952,503.69
Furniture, Fixtures, and Equipment	19,262,553.77	1,570,718.10	1,255,321.96	19,577,949.91
Motor Vehicles	6,896,796.00	1,643,273.73	516,444.28	8,023,625.45
Property Under Capital Lease	714,105.86			714,105.86
Audio Visual Materials and Computer Software	2,777,282.53	458,351.00	26,711.20	3,208,922.33
Total Capital Assets Being Depreciated	230,220,315.90	26,913,270.07	1,853,139.06	255,280,446.91
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	6,605,641.34	601,064.83		7,206,706.17
Buildings and Fixed Equipment	46,430,217.85	5,046,343.02		51,476,560.87
Furniture, Fixtures, and Equipment	14,095,886.42	2,137,790.62	1,162,142.16	15,071,534.88
Motor Vehicles	3,930,625.34	442,793.68	413,493.75	3,959,925.27
Property Under Capital Lease	104,354.47	142,488.56		246,843.03
Audio Visual Materials and Computer Software	1,442,121.01	521,656.76	26,158.57	1,937,619.20
Total Accumulated Depreciation	72,608,846.43	8,892,137.47	1,601,794.48	79,899,189.42
Total Capital Assets Being Depreciated, Net	157,611,469.47	18,021,132.60	251,344.58	175,381,257.49
Governmental Activities Capital Assets, Net	\$ 169,308,755.71	\$ 46,994,631.44	\$ 3,091,826.76	\$ 213,211,560.39

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

The District's capital assets serve several functions; accordingly, total depreciation expense of \$8,892,137.47 is reported as "Unallocated Depreciation Expense" on the Statement of Activities.

5. OBLIGATIONS UNDER CAPITAL LEASES

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

	<u>Asset Balance</u>
Software (Payroll System Upgrade)	\$ 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>
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	83,479.58	4,821.16
 Total Minimum Lease Payments	 \$ 375,671.38	 \$ 329,818.82	 \$ 45,852.56

The stated interest rates range from 4.757 to 6.77 percent.

6. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on November 1, 2005, which arrangement was characterized as a lease-purchase agreement, with the Indian River County School Board Leasing Corporation, Inc., whereby the District secured \$80,050,000 in financing for the construction of three educational facility projects and the purchase of land. The financing was accomplished through the issuance of Certificates of Participation, Series 2005, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Indian River County School Board Leasing Corporation, Inc., with a rental fee of \$10 per year. The initial term of the lease is 20 years commencing on November 1, 2005. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to 20 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include the Vero Beach High School, Alternative Education Center, Sebastian River Middle School Music Addition, and 152 acres of land.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The lease payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3.50 to 5.00 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,394,286.26	\$ 2,900,000.00	\$ 3,494,286.26
2008	6,392,786.26	3,000,000.00	3,392,786.26
2009	6,392,786.26	3,105,000.00	3,287,786.26
2010	6,394,111.26	3,215,000.00	3,179,111.26
2011	6,396,586.26	3,330,000.00	3,066,586.26
2012-2016	31,975,136.30	18,685,000.00	13,290,136.30
2017-2021	31,972,450.04	23,020,000.00	8,952,450.04
2022-2026	<u>25,585,200.00</u>	<u>22,795,000.00</u>	<u>2,790,200.00</u>
Total Minimum Lease Payments	121,503,342.64	80,050,000.00	41,453,342.64
Plus: Unamortized Premium	<u>866,607.19</u>	<u>866,607.19</u>	
Total Certificates of Participation	<u>\$ 122,369,949.83</u>	<u>\$ 80,916,607.19</u>	<u>\$ 41,453,342.64</u>

7. BONDS PAYABLE

Bonds payable at June 30, 2006, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1996B, Refunding	\$ 75,000	4.625	2007
Series 2005A	6,295,000	3.0 - 5.0	2025
District General Obligation Bonds:			
Series 2002, Refunding	17,550,000	3.0 - 5.0	2013
Series 2003, Refunding	<u>11,435,000</u>	3.0 - 5.0	2011
Total Bonds Payable	<u>\$ 35,355,000</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 requirements are administered by the State Board of Education and the State Board of Administration.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

➤ **District General Obligation Bonds**

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	494,200.00	255,000.00	239,200.00
2012-2016	2,481,750.00	1,490,000.00	991,750.00
2017-2021	2,467,750.00	1,865,000.00	602,750.00
2022-2025	<u>1,979,943.75</u>	<u>1,790,000.00</u>	<u>189,943.75</u>
Total State School Bonds	<u>9,469,412.50</u>	<u>6,370,000.00</u>	<u>3,099,412.50</u>
General Obligation Bonds:			
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	4,893,947.50	4,250,000.00	643,947.50
2012-2013	<u>10,018,500.00</u>	<u>9,270,000.00</u>	<u>748,500.00</u>
Total General Obligation Bonds	<u>34,411,937.50</u>	<u>28,985,000.00</u>	<u>5,426,937.50</u>
Total	<u>\$43,881,350.00</u>	<u>\$ 35,355,000.00</u>	<u>\$ 8,526,350.00</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, Series 1991 and 1993, are not included in the District's financial statements. On June 30, 2006, General Obligation Bonds, Series 1991 and 1993, totaling \$22,630,000 outstanding are considered defeased in substance.

9. CHANGES IN LONG-TERM LIABILITIES

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$	\$ 80,050,000.00	\$	\$ 80,050,000.00	\$ 2,900,000.00
Unamortized Premiums		912,218.10	45,610.91	866,607.19	45,610.91
Certificates of Participation Payable, Net		80,962,218.10	45,610.91	80,916,607.19	2,945,610.91
Estimated Long-Term Claims Payable	450,425.32	2,455.27	221,875.00	231,005.59	148,363.00
Notes Payable	10,000,000.00		10,000,000.00		
Obligations Under Capital Leases	522,253.07		192,434.25	329,818.82	91,844.66
Bonds Payable	39,075,000.00		3,720,000.00	35,355,000.00	3,955,000.00
Compensated Absences Payable	8,045,842.60	521,505.39	593,380.68	7,973,967.31	2,116,395.47
Total Governmental Activities	<u>\$ 58,093,520.99</u>	<u>\$ 81,486,178.76</u>	<u>\$ 14,773,300.84</u>	<u>\$ 124,806,398.91</u>	<u>\$ 9,257,214.04</u>

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

Estimated Long-Term Claims Payable includes a liability related to a bus accident which occurred January 25, 1999, and was awarded by action of the State Legislature. At June 30, 2006, the balance remaining for actual claims payable is \$218,750 due over the next two years. The amount due within one year is \$146,875.

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 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 108,114.36	\$ 74,575.05
Capital Projects:		
Local Capital Improvement	10,010.90	102,236.54
Nonmajor Governmental	59,694.15	5,532.08
Internal Service	4,870.00	345.74
Total	<u>\$ 182,689.41</u>	<u>\$ 182,689.41</u>

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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	\$ 2,998,500.00	\$
Capital Projects:		
Local Capital Improvement		3,817,175.81
Other Capital Projects		9,373,094.40
Nonmajor Governmental	<u>10,452,587.32</u>	<u>260,817.11</u>
Total	<u>\$ 13,451,087.32</u>	<u>\$ 13,451,087.32</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; the rental or lease of existing buildings; and moving revenues from one fund to the fund in which the expenditure is required to be reported.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2005-06 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 6,581,033.00
Categorical Educational Programs:	
Class Size Reduction	9,320,486.00
Transportation	3,460,332.00
Instructional Materials	1,580,709.00
School Recognition	1,120,866.00
Discretionary Lottery Funds	796,677.00
Other	1,383,759.47
Gross Receipts Tax (Public Education Capital Outlay)	2,386,121.00
Workforce Development Program	859,697.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	655,365.16
Charter School Capital Outlay	461,870.03
Food Service Supplement	159,492.00
Mobile Home License Tax	147,927.86
Miscellaneous	<u>444,072.43</u>
Total	<u>\$ 29,358,407.95</u>

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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.244	\$ 74,882,529.00
Basic Discretionary Local Effort	0.510	7,282,626.00
Supplemental Discretionary Local Effort	0.126	1,779,237.00
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.360	5,140,677.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	28,559,317.00
Total	8.240	\$117,644,386.00

14. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). 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 FRS.

Benefits in the Plan vest at six years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The 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 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

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 2005-06 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
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 DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$4,467,476.35, \$4,904,086.40, and \$5,385,175.82, 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. There were 222 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$567,102.56.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 \$1,822 during the 2005-06 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 noninstructional employees. Under both Plans, employees were required to have 10 years of service with the District and were required to declare their written intent to retire by March 31, 1995. Under Plan 1, employees who had reached age 55 by June 30, 1995, and had 25 years of creditable service under the FRS; or had reached age 57 and had 15 years of creditable service under the FRS; or had 30 years of creditable service under the FRS, regardless of age, were eligible. Under Plan 1, those employees that took advantage of this incentive elected to receive a retirement bonus consisting of 25 percent of their final salary in lieu of regular termination benefits as deferred compensation; payment of 100 percent of their accumulated sick leave as deferred compensation; paid health insurance for five years, and a \$10,000 term life insurance policy for the life of the employee. The only portion of this early retirement incentive remaining is the \$10,000 term life insurance policy for the life of the employee.

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

The District reported a long-term liability totaling \$12,255.59 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:

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Project	Contract Amount	Completed to Date	Balance Committed
Vero Beach Senior High Remodel & Renovations Phase 1:			
Architect	\$ 1,821,600.00	\$ 728,640.00	\$ 1,092,960.00
Contractor	15,500,000.00		15,500,000.00
New Liberty Magnet Elementary:			
Architect	665,380.00	649,223.00	16,157.00
Contractor	11,798,138.00	11,186,789.00	611,349.00
Gifford Middle School Gymnasium:			
Architect	254,320.00	242,311.00	12,009.00
Contractor	4,192,281.00	3,998,954.00	193,327.00
Oslo Middle School Traffic Improvements:			
Contractor	787,500.00	203,977.00	583,523.00
Glendale Elementary School Reroofing:			
Contractor	1,176,000.00	737,928.00	438,072.00
Dodgertown, Fellsmere, Sebastian Elementary Schools - Drainage:			
Engineer	100,000.00	81,736.00	18,264.00
Contractor	424,453.00	153,413.00	271,040.00
Total	\$ 36,719,672.00	\$ 17,982,971.00	\$ 18,736,701.00

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:

Fiscal Year Ending June 30	Amount
2007	\$ 56,038.92
2008	52,511.43
2009	48,917.71
2010	45,551.90
2011	45,000.00
2012	22,500.00
Total Minimum Payments Required	\$ 270,519.96

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 2005-06 fiscal year, MTI had seven members. In addition, MTI provided training on a fee basis to other non-member

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 (SCERMP), 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 SCERMP. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. SCERMP 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 SCERMP is composed of representatives of all participating districts. Employer's Mutual, Inc., serves as fiscal agent for SCERMP.

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The School Board makes an annual contribution to the group for its property and casualty 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 coverage 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 for incurred, but not reported claims, the property and casualty group has ending retained earnings of \$7,749,556 at June 30, 2006. Indian River County District School Board's portion of the retained earnings calculated at 15.8 percent of the total is approximately \$1,228,213.

EXHIBIT - L (Continued)
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

A bus accident in January 1999 resulted in litigation for which seven 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, 2006, the remaining long-term liability totals \$218,750, of which \$146,875 is due in the 2006-07 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
2004-05	\$ 1,006,583.00	\$ 8,770,176.95	\$ (7,206,570.55)	\$ 2,570,189.40
2005-06	2,570,189.40	9,582,094.42	(9,145,280.90)	3,007,002.92

20. LITIGATION

There are seven property casualty claims where there is a possibility of litigation. The total reserve amount for these seven cases is \$575,000. All of these cases are reserved in the assets of SCERMP.

21. SUBSEQUENT EVENTS

On February 13, 2007, the Board authorized the Superintendent to execute the steps necessary to issue Certificates of Participation in the amount of approximately \$45 million to build a new middle school "BB" on the 66th Avenue site acquired during the 2005-06 fiscal year.

22. CONTINGENT LIABILITIES

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally, the State and Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

EXHIBIT - M
INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 82,384.00	\$ 82,384.00	\$ 105,296.44	\$ 22,912.44
Federal Through State	250,000.00	263,992.00		(263,992.00)
Federal Through Local			13,992.00	13,992.00
State	26,002,392.00	26,961,006.82	26,141,212.18	(819,794.64)
Local	83,338,369.00	83,599,785.32	86,284,808.47	2,685,023.15
Total Revenues	<u>109,673,145.00</u>	<u>110,907,168.14</u>	<u>112,545,309.09</u>	<u>1,638,140.95</u>
Expenditures				
Current - Education:				
Instruction	75,321,050.63	74,589,531.93	69,951,033.98	4,638,497.95
Pupil Personnel Services	3,282,358.74	3,536,884.90	3,428,881.08	108,003.82
Instructional Media Services	1,829,549.37	2,012,970.96	2,012,970.96	
Instruction and Curriculum Development Services	5,079,074.28	5,007,412.15	4,838,074.45	169,337.70
Instructional Staff Training	845,407.84	851,124.44	632,653.90	218,470.54
Instruction Related Technology		451,911.20	428,714.11	23,197.09
Board of Education	1,871,245.29	1,746,033.59	1,371,049.27	374,984.32
General Administration	456,111.22	535,255.53	449,676.16	85,579.37
School Administration	6,709,159.94	7,231,424.04	6,918,486.09	312,937.95
Facilities Acquisition and Construction	2,100,196.23	1,771,108.53	738,345.77	1,032,762.76
Fiscal Services	1,126,218.41	1,078,923.99	1,061,400.61	17,523.38
Food Services		50,635.30	50,635.30	
Central Services	4,916,824.13	2,775,591.44	2,445,102.84	330,488.60
Pupil Transportation Services	4,169,204.01	4,399,618.90	4,100,191.24	299,427.66
Operation of Plant	11,888,542.01	12,697,257.60	12,225,200.50	472,057.10
Maintenance of Plant	4,916,433.40	4,117,043.54	3,702,439.53	414,604.01
Administrative Technology Services		1,893,406.43	1,639,343.03	254,063.40
Community Services	976,395.13	1,236,459.19	962,226.60	274,232.59
Fixed Capital Outlay:				
Facilities Acquisition and Construction		764,305.23	764,305.23	
Other Capital Outlay		551,701.60	551,701.60	
Debt Service:				
Interest and Fiscal Charges	13,000.00	13,000.00		13,000.00
Total Expenditures	<u>125,500,770.63</u>	<u>127,311,600.49</u>	<u>118,272,432.25</u>	<u>9,039,168.24</u>
Deficiency of Revenues Over Expenditures	<u>(15,827,625.63)</u>	<u>(16,404,432.35)</u>	<u>(5,727,123.16)</u>	<u>10,677,309.19</u>
Other Financing Sources				
Transfers In	2,998,500.00	2,998,500.00	2,998,500.00	
Proceeds from Sale of Capital Assets	20,000.00	20,000.00	44,280.50	24,280.50
Insurance Loss Recoveries	2,250,000.00	2,280,444.10	2,014,253.50	(266,190.60)
Total Other Financing Sources	<u>5,268,500.00</u>	<u>5,298,944.10</u>	<u>5,057,034.00</u>	<u>(241,910.10)</u>
Net Change in Fund Balances	<u>(10,559,125.63)</u>	<u>(11,105,488.25)</u>	<u>(670,089.16)</u>	<u>10,435,399.09</u>
Fund Balances, July 1, 2005	13,421,266.54	13,421,266.54	13,421,266.54	
Fund Balances, June 30, 2006	<u>\$ 2,862,140.91</u>	<u>\$ 2,315,778.29</u>	<u>\$ 12,751,177.38</u>	<u>\$ 10,435,399.09</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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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2006, 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 was modified to include a reference to 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. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the Indian River County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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

Respectfully submitted,



William O. Monroe, CPA
February 9, 2007



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
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, 2006. 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.

As discussed in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, the Indian River County District School Board did not comply with the requirements regarding Allowable Costs/Cost Principles that are applicable to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

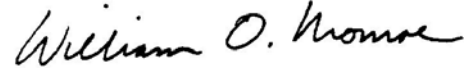
District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance 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 related to Allowable Costs/Cost Principles for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) major program to be a material weakness.

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

Respectfully submitted,



William O. Monroe, CPA

February 9, 2007

**INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550(2)	None	\$ 311,272.31	\$ _____
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	1,581,025.14	
National School Lunch Program	10.555	300	2,493,251.38	
Summer Food Service Program for Children	10.559	323	180,482.74	_____
Total Child Nutrition Cluster			4,254,759.26	_____
Child and Adult Care Food Program:	10.558	302	113,617.52	_____
Total United States Department of Agriculture			4,679,649.09	_____
United States Department of Interior:				
Direct:				
Cooperative Endangered Species Conservation Fund	15.615	N/A	3,000.00	_____
United States Department of Justice:				
Indirect:				
Office of Criminal Justice Programs:				
Public Safety Partnership and Community Policing Grants	16.710	2004CDWX0453	32,616.00	_____
United States Department of Education:				
Direct:				
Fund for the Improvement of Education	84.215	N/A	362,927.44	_____
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	3,442,415.15	
Special Education - Preschool Grants	84.173	267	126,867.98	
St. Lucie County District School Board:				
Special Education - Grants to States	84.027	None	20,993.27	_____
Total Special Education Cluster			3,590,276.40	
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191	96,497.00	
Title I Grants to Local Educational Agencies	84.010	212	1,959,709.78	63,038.77
Migrant Education - State Grant Program	84.011	217	277,463.54	
Vocational Education - Basic Grants to States	84.048	151	184,794.50	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	89,710.43	
State Grants for Innovative Programs	84.298	113	55,078.56	
Education Technology State Grants	84.318	121	51,071.12	
English Language Acquisition Grants	84.365	102	124,044.47	
Improving Teacher Quality State Grants	84.367	224	333,040.62	
Hurricane Education Recovery	84.938	None	55,845.43	
Indian River Community College:				
Tech-Prep Education	84.243	None	11,007.98	_____
Total Indirect			6,828,539.83	63,038.77
Total United States Department of Education			7,191,467.27	63,038.77
United States Department of Health and Human Services:				
Indirect:				
Economic Opportunity Council of Indian River County, Inc.:				
Head Start	93.600	None	300,000.00	_____
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	93.036	None	2,199,379.57	
Florida Department of Education:				
Homeland Security Grant Program	97.067	None	101,710.00	_____
Total United States Department of Homeland Security			2,301,089.57	_____
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	6,555.18	_____
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	105,296.44	_____
Total Expenditures of Federal Awards			\$ 14,619,673.55	\$ 63,038.77

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2005-06 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 2005-06 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, 2006**

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, 2006:

- Except for the exclusion of the school internal funds from the scope of the audit, there was no modification to the opinion on the financial statements.
- No reportable conditions involving the internal control over financial reporting and its operation were disclosed.
- No noncompliance was reported which is material to the financial statements.
- A certain matter was considered to be a material weakness in internal control over a major Federal program.
- A qualified opinion was issued on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) major Federal program. An unqualified opinion was issued on major program compliance for the District’s other major Federal programs.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; and Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$438,590.
- 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, 2006**

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Homeland Security

Pass-Through Entity: Florida Department of Community Affairs

Program: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)

Finding Type: Material Weakness

Questioned Costs: \$509,681

Allowable Costs/Cost Principles. In September 2004 and October 2005, the District sustained substantial property damage from three major hurricanes, and the District's property insurance covered the majority of the costs of the damage. Claims for damages were also filed with the Federal government program commonly called the Federal Emergency Management Agency (FEMA). Claims with FEMA for small projects were funded in advance and claims for large projects required reimbursement requests. FEMA defines small projects as those that are less than \$54,100 for Hurricanes Frances and Jeanne, and \$57,500 for Hurricane Wilma. A project worksheet (PW) is a form used to document the scope of work and cost estimate for the project. Robert T. Stafford Disaster Relief and Emergency Assistance Act Public Law 93-288, as amended and implemented under the provisions of the Federal Emergency Management Act Publications Report 322, October 1999, requires that all documentation pertaining to a project should be filed with the PW. Accurate disbursement and accounting records are required by FEMA to document the work performed and costs incurred.

During the 2005-06 fiscal year, the District received funds for small projects totaling \$2,199,379 as a result of damages sustained by these storms. Our tests of 48 of the 168 small project worksheets, with project cost estimates totaling \$980,851, disclosed that there was no documentation, such as invoices, to support the cost estimates of 11 projects, totaling \$205,587. Additionally, there were 17 projects, totaling \$386,924, that were only supported by invoices totaling \$82,830, resulting in unsupported costs totaling \$304,094. A portion of these costs may prove to be allowable loss recoveries; however, neither the District nor the grantor have completed a detailed analysis of all loss recoveries received and made such a determination. Since the District was unable to provide the disbursement and accounting records to support the project costs, totaling \$509,681, these amounts represent questioned costs subject to disallowance by the grantor.

According to District records and our review of PWs, there was a total of \$3,112,457 of large projects obligated by FEMA; however, as of the close of fieldwork in mid January 2007, the District had not requested reimbursement for these costs. The storms, dates, and amounts that FEMA obligated on these PWs ranged as follows:

Storm Name	Date Declared Federal Disaster	Range of Dates Obligated by FEMA		Amounts Obligated
		Start	End	
Frances	9-4-2004	8-1-2005	3-30-2006	\$ 741,932
Jeanne	9-26-2004	7-1-2005	10-4-2005	\$ 2,199,963
Wilma	10-23-2005	4-18-2006	6-26-2006	\$ 170,562
Total				\$ 3,112,457

The District indicates that not all funds initially obligated by FEMA will be drawn down due to project costs coming in less than projected and certain damage covered by insurance rather than FEMA. However, it is not apparent why a determination could not be made on all unreimbursed project worksheets. For example, two of the large PWs are for debris removal and total \$207,530. One PW for \$96,287 was obligated by FEMA in July 2005, and the other PW for \$111,243 was obligated in April 2006. Without a complete detailed analysis of all losses, including a matching of invoices to work performed, based on the scope established in the original PW, there is an increased risk that other District resources may be used to ultimately pay these costs and the District may not request and receive reimbursement from readily available Federal funds.

Recommendation: The District should develop procedures to ensure that an adequate record keeping system is maintained to document the work performed and costs incurred for loss recoveries funded by the Public Assistance program. Additionally, the District should document to the grantor (Florida Department of Community Affairs) the allowability of the questioned costs, totaling \$509,681 related to small projects, or restore these moneys to the Public Assistance program. Also, the District should establish procedures to analyze costs from hurricanes, related project expenses, and claim reimbursements to ensure that available Federal funds to finance recovery efforts are drawn timely and to ensure that the District's nonFederal resources are used to finance activities for which Federal funds are not available.

District Contact Person: Michael Degutis, Assistant Superintendent of Business and Finance

*INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006*

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
2006-122 (1)	Special Education - Grants to States (CFDA No. 84.027) - Allowable Costs/Cost Principles	Required certifications or personnel activity reports were not prepared.	Corrected.	

MANAGEMENT RESPONSE



School District of Indian River County

"A CommUNITY Partnership Toward Educational Excellence"

Duncan N. P. Pritchett, Jr., Ed.D. • Superintendent

February 28, 2007

William O. Monroe, CPA
 Office of the Auditor General
 State of Florida
 G74 Claude Pepper Building
 111 West Madison Street
 Tallahassee, FL 32399-1450

Dear Mr. Monroe:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Indian River County as a result of the audit for the fiscal year ended June 30, 2006. The following are the responses as submitted by the appropriate staff.

Finding No. 1: Architect's Professional Liability Insurance Requirements

District personnel are currently reviewing the procedures necessary to ensure that any architect's professional liability insurances are compliant with the existing procedure which requires architectural firms to provide such insurance with coverage amounts being based upon contract value. In addition, staff will develop a system with which to monitor major construction contracts in order to add an additional level of review and protection.

Finding No. 2: Fingerprinting and Background Checks

During the implementation of the provisions of the Jessica Lundsford Act a concerted effort was made to comply with all related requirements. Although it was certainly the intent of the District to be in compliance with the relevant Florida Statutes, District staff acknowledges that improvements can be made to better control the necessary approvals for contractual personnel being granted access to school campuses. An improvement plan will be developed and implemented to ensure that all contracted worker are fingerprinted and have the appropriate background checks in an effort to better manage these requirements of the Jessica Lundsford Act.

Finding No. 3: Cost Benefit Analysis of Garbage Hauling Services

The District concurs with the auditor's recommendation that it should have performed a detailed cost/benefit and a lease versus buy analysis for the garbage truck acquisition and

Karen Disney-Brombach • Lenora Quimby • Carol Johnson • Ann Reuter • Debbie J. MacKay
 District 1 District 2 District 3 District 4 District 5

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Equal Opportunity Educator and Employer

MANAGEMENT RESPONSE (CONTINUED)

the related services. In addition, the District also recognizes that best practices suggest that it is prudent to perform such analyses. However, given the emergency nature of the circumstances prevailing at the juncture, the District had little time to conduct such an analysis and subsequently purchased the truck from a duly awarded bid. District personnel are currently reviewing the existing procedures to ensure that future capital acquisitions are subjected to this type of analysis.

Finding No. 4: Employment Agreements – Termination Clauses

District staff and Board members have become very aware of the issues involved with ensuring clearly defined language contained within termination clauses of long-term employment contracts, such as a Superintendent's employment contract. Staff, along with the Board and its legal counsel, will ensure that appropriate and clear language is agreed upon prior to all future long-term employment contracts being executed.

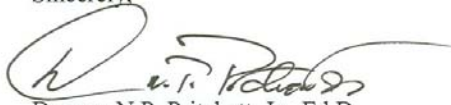
Federal Awards - Finding No. 1: Allowable Costs/Costs Principles

The District has procedures in place to ensure that adequate record keeping is maintained to document the work performed and costs incurred for loss recoveries funded by the Public Assistance (PA) Program. The methodology was developed in conjunction with the insurance carrier and FEMA eligible costs were tracked so that District staff could document expenses and reimbursement from both sources.

Project Worksheets were developed by the FEMA staff after the storms. Repair work was done by both outside contractors and District maintenance staff. Work done by outside contractors encompassed multiple project worksheets for damage as a result of both storms. District staff is in the process of finalizing time and material invoices for the work that was done by the maintenance department. Nearly all repair work has been completed and the District will begin the process of closing out the storm repair work with the State Department of Public Assistance. Recovery of large project reimbursement from PA has been delayed until the majority of the total scope of the work has been completed. District funds will only be used, if necessary, to offset any non-reimbursable expenditures by insurance and FEMA/PA.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office if you have any questions concerning this matter.

Sincerely,



Duncan N.P. Pritchett, Jr., Ed.D.
Superintendent

Cc: School Board Members
Michael Degutis
Carter Morrison