



**AUDITOR GENERAL**  
DAVID W. MARTIN, CPA



**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2007

Indian River County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Karen Disney-Brombach from 11-21-06, Vice Chair</i>	<i>1</i>
<i>William D. Hughes to 11-20-06, Chair</i>	<i>1</i>
<i>Lenora Quimby</i>	<i>2</i>
<i>Carol K. Johnson from 11-21-06, Chair</i>	<i>3</i>
<i>Dr. R. Craig McGarvey to 11-20-06</i>	<i>3</i>
<i>Ann Reuter</i>	<i>4</i>
<i>Debbie MacKay from 11-21-06</i>	<i>5</i>
<i>Kathryn A. Wilson to 11-20-06, Vice Chair</i>	<i>5</i>

*Dr. Duncan Pritchett, Jr., Interim Superintendent*

**AUDITOR GENERAL**

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

INDIAN RIVER COUNTY DISTRICT SCHOOL BOARD

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**EXECUTIVE SUMMARY**

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**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, 2007, in accordance with prescribed financial reporting standards.

**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.

**Finding No. 1: Financial Condition – Food Service Program**

Enhancements were needed in effectively monitoring the food service program with a view toward improving the financial condition of the program.

**Finding No. 2: Architect Insurance**

Procedures could be enhanced to ensure architects carry sufficient professional liability insurance prior to awarding such contracts.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Special Education Cluster, and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note internal control and compliance findings that are summarized below.

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

Salary and benefit expenditures for one employee were incorrectly charged, in part, to the Title I program, and documentation for another employee's salary and benefits charged to the Title I program could not be substantiated, resulting in questioned costs totaling \$46,221.

**Federal Awards Finding No. 2: Allowable Costs/Cost Principles – Indirect Costs**

The District erroneously applied its indirect cost rate to certain Title I program expenditures, resulting in indirect cost overcharges, totaling \$47,010, to the program. Subsequent to our inquiry, the District corrected these errors.

**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. 2007-144.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2007. 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 coordinated by Andrew D. Cheplick, CPA, and supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@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 <http://www.myflorida.com/audgen/>; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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**FINDINGS AND RECOMMENDATIONS**

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<b>Additional Matters</b>
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**Finding No. 1: Financial Condition – Food Service Program**

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The District operates a food service program by providing meals to participating students and staff. The food service program, accounted for in the District's Special Revenue – Food Service (SR-FS) Fund, generates revenue from the sale of food and from Federal reimbursements and State supplements. The financial condition of the food service program is significantly impacted by the prices charged for meals, salary and benefits costs, and purchased food costs. As discussed below, enhancements were needed in effectively monitoring the financial condition of the food service program.

During the 2005-06 fiscal year, all breakfasts were free to participating students, pursuant to special provisions of the Federal School Breakfast program, and the District was reimbursed by the Federal program. However, because the special provisions precluded the District from continuing the free breakfast for all students, the District began charging \$1 per breakfast for the 2006-07 fiscal year, resulting in a decline in student breakfast participation. During the 2006-07 fiscal year, the SR-FS Fund expenditures exceeded its revenues, resulting in an operating deficit of \$865,023. While the SR-FS Fund began the year with a fund balance of \$526,720 and received a transfer of \$2,266 from the General Fund, the SR-FS Fund ended with a deficit fund balance of \$336,037. The District's food service department had a change in directors and did not anticipate the short fall in revenue during the budgeting process for the 2006-07 fiscal year; consequently, meals reimbursed by the Federal School Breakfast program were less by approximately \$800,000 from the previous fiscal year. Inquiry with District staff indicated that measures, such as increasing meal participation by promotions, are being implemented for the 2007-08 fiscal year to improve the financial condition of the program.

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**Recommendation:** The District should continue its efforts to effectively monitor the food service program with a view toward improving the financial condition of the program.

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**Finding No. 2: Architect Insurance**

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District 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. The District entered into a contract with an architectural firm, in December 2006, to provide architectural services for the new Middle School BB project with estimated construction costs of \$40,000,000. The architect contract for the project requires the architect to provide professional liability insurance of \$3,000,000; however, our review of the certificate of professional liability coverage provided by the District disclosed that the architectural firm only carried \$2,000,000 in professional liability, or \$1,000,000 less than the contract requirement. Implementing adequate procedures to verify the insurance requirements for architects would protect the District in the event that deficiencies exist in

the work performed by the design professionals. Similar findings were noted in our previous audit reports, most recently in our report No. 2007-144.

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**Recommendation: The District should enhance procedures to ensure architects carry sufficient professional liability insurance prior to awarding such contracts.**

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#### **PRIOR AUDIT FINDINGS**

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2007-144.

#### **MANAGEMENT RESPONSE**

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Indian River County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in this report in the Management Response Section, beginning on page 67.

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**FINANCIAL SECTION**

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***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 Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – General Fund.*
- EXHIBIT – H***    *Statement of Net Assets – Proprietary Funds.*
- EXHIBIT – I***    *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.*
- EXHIBIT – J***    *Statement of Cash Flows – Proprietary Funds.*
- EXHIBIT – K***    *Statement of Fiduciary Net Assets – Fiduciary Funds.*
- EXHIBIT – L***    *Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.*
- EXHIBIT – M***    *Notes to Financial Statements.*





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AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON 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, 2007, which collectively comprise the District's basic financial statements as listed on page 3. 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 school internal accounts, which represent approximately 6 percent of the assets and 16 percent of the liabilities of the aggregate remaining fund information. Additionally, 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 school internal accounts and the aggregate discretely presented component units, is based on the reports of the other auditors.

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.

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, each major fund, and the aggregate remaining fund information for the Indian River County District School Board as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued 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 6 through 15) is not a required part of the basic financial statements but is 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,



David W. Martin, CPA

January 15, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the School Board of Indian River County, Florida's (the District) comprehensive annual financial report represents management's discussion and analysis of the financial performance of the District for the fiscal year ended June 30, 2007. This information should be read in conjunction with the audited financial statements included in this report.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceed its liabilities at June 30, 2007, by \$227.7 million. Of this amount, \$168 million represents investments in capital assets (net of related debt) and \$59.7 million represents restricted and unrestricted net assets of \$51.6 million and \$8.1 million, respectively.
- The District's total net assets increased by \$26.5 million, or 13.2 percent.
- Program revenues account for \$24.4 million, or 12.1 percent of total revenues, and general revenues account for \$176.9 million, or 87.9 percent.
- The governmental funds report combined fund balances of \$106.4 million, an increase of \$0.9 million in comparison to the prior fiscal year.
- At the end of the fiscal year, the unreserved fund balance for the General Fund is \$9.2 million, or 7.2 percent of General Fund revenues.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis, in conjunction with the financial statements, is intended to serve as an introduction to the District's basic financial statements. The statements are organized in such a manner that the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities. The basic financial statements consist of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

#### Reporting the District as a Whole

##### *The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in the manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used in the private sector. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall financial well-being of the District.

The government-wide financial 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 that operate as charter schools as discussed in the notes to the basic financial statements. Although these are legally separate organizations, the component units' activities are included in the financial statements since 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.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and demonstrate compliance with various grant provisions. The District's three types of funds: governmental, proprietary, and fiduciary, use different accounting approaches as further described in the notes to financial statements.

### ***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The District has several governmental funds: the General Fund, Debt Service Funds, the Special Revenue Funds (including the School Food Service Program), and the Capital Projects Funds. Within these funds, the District maintains 11 individual funds. Of those funds, the General Fund, Debt Service – Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund are considered to be major funds.

### ***Proprietary Funds***

Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements. Internal service funds are used to report activities that provide goods or services to support the District's other programs and functions through user fees.

The District uses internal service funds to account for the self-insurance program activities, as well as the resources of the East Central Florida Management Training Institute for which the District serves as fiscal agent. Since these services predominately benefit governmental functions rather than business-type functions, the internal service fund has been included within the 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.

***Notes to Financial Statements***

The notes to the financial statements contain additional information, which is essential to fully understand data provided within the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

	<b>Net Assets, End of Year</b>	
	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	\$ 130,885,971.17	\$ 125,136,480.65
Capital Assets	232,544,776.07	213,211,560.39
<b>Total Assets</b>	<b>363,430,747.24</b>	<b>338,348,041.04</b>
Long-Term Liabilities	120,070,111.21	124,806,398.91
Other Liabilities	15,645,612.62	12,437,973.12
<b>Total Liabilities</b>	<b>135,715,723.83</b>	<b>137,244,372.03</b>
Net Assets:		
Invested in Capital Assets -		
Net of Debt	168,013,167.20	153,265,836.01
Restricted	51,576,699.13	37,120,803.81
Unrestricted	8,125,157.08	10,717,029.19
<b>Total Net Assets</b>	<b>\$ 227,715,023.41</b>	<b>\$ 201,103,669.01</b>

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceed liabilities by \$227.7 million at the end of the fiscal year. The largest portion of

the District's net assets, \$168 million (73.8) percent, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding.

The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets, \$51.6 million (22.6 percent), represents resources subject to external restrictions on how they may be used. The remaining net assets of \$8.1 million (3.6 percent) are unrestricted net assets and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets for the government as a whole.

Operating Results for the Year

	Governmental Activities	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	\$ 4,415,910.62	\$ 4,012,663.78
Operating Grants and Contributions	8,011,941.49	8,280,034.05
Capital Grants and Contributions	11,939,668.01	3,057,703.77
General Revenues:		
Property Taxes, Levied for Operational Purposes	89,193,534.04	81,181,505.10
Property Taxes, Levied for Debt Service	4,828,207.56	4,968,785.60
Property Taxes, Levied for Capital Projects	34,531,018.53	27,589,717.92
Grants and Contributions Not Restricted to Specific Programs	37,796,220.28	30,315,054.39
Restricted Investment Earnings		1,517,700.83
Unrestricted Investment Earnings	7,537,238.55	2,807,609.24
Miscellaneous	3,033,596.75	15,350,529.74
<b>Total Revenues</b>	<b>201,287,335.83</b>	<b>179,081,304.42</b>
Functions/Program Expenses:		
Instruction	82,995,020.96	73,351,228.30
Pupil Personnel Services	5,145,834.31	4,254,907.48
Instructional Media Services	2,082,350.40	1,994,326.61
Instruction and Curriculum Development Services	6,342,319.27	6,154,784.50
Instructional Staff Training Services	1,216,930.13	1,085,614.84
Instruction Related Technology	598,956.76	424,208.92
Board of Education	911,264.90	926,023.62
General Administration	848,124.71	800,921.06
School Administration	9,214,080.03	6,841,394.09
Facilities Acquisition and Construction	12,239,968.19	6,730,912.88
Fiscal Services	1,324,026.24	996,131.89
Food Services	7,890,312.72	7,621,840.46
Central Services	2,438,438.13	2,188,985.05
Pupil Transportation Services	5,161,582.05	4,083,041.56
Operation of Plant	14,086,752.60	12,156,321.75
Maintenance of Plant	3,863,932.19	3,676,379.03
Administrative Technology Services	1,926,869.15	1,625,167.53
Community Services	1,009,836.07	960,501.81
Interest on Long-Term Debt	5,062,110.46	3,745,343.72
Unallocated Depreciation Expenses	10,087,850.98	8,892,137.47
Loss on Disposal of Capital Assets	327,121.39	
Extraordinary Item (Claims Settlement)		221,875.00
<b>Total Functions/Program Expenses and Extraordinary Item</b>	<b>174,773,681.64</b>	<b>148,732,047.57</b>
<b>Increase in Net Assets</b>	<b>\$ 26,513,654.19</b>	<b>\$ 30,349,256.85</b>

**Governmental Activities**

Governmental activities increased the District's net assets by \$26.5 million for the fiscal year ended June 30, 2007.

Key components of this growth are as follows:

- Capital grants and contributions increased in the 2006-07 fiscal year over the 2005-06 fiscal year by \$8.9 million, or 290.5 percent, mainly due to the increase in the Class Size Reduction Construction Program funded by the State legislature. The District's portion of that funding for the current year was \$8.2 million, as compared to \$0.6 million in prior year.
- Property taxes in the District have increased due to the tax rolls experiencing strong growth over the past several years with an increase in the 2006-07 fiscal year of 25.3 percent with 16.8 percent growth in the

prior fiscal year. This growth pattern is a benefit to both the operating budget as well as the capital projects budget.

- Grants and contributions not restricted to specific programs have also increased with the majority of that increase attributed to the operating funds for class size amendment implementation. The class size reduction funding from the State that is earmarked for the operating budget was \$13.5 million in the current fiscal year as compared with \$9.3 million in the prior year.
- For the most part, increases in expenses closely paralleled inflation, and were primarily due to Districtwide salary enhancements and growth in the number of students.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's governmental funds reported a combined fund balance of \$106.4 million, which is only a slight increase over last year's total of \$105.5 million. The following schedule indicates the fund balance and the total change in fund balance by major fund versus other governmental funds as reported in the basic financial statements for the fiscal years ended June 30, 2007 and June 30, 2006.

	Fund Balance (In Thousands)			
	2007	2006	Increase (Decrease)	Percentage Change
General Fund	\$ 11,374	\$ 12,751	\$ (1,377)	-10.8%
Debt Service Fund - Other	1		1	
Capital Projects Funds:				
Local Capital Improvement	33,326	24,746	8,580	34.7%
Other	57,609	63,402	(5,793)	-9.1%
Other Governmental Funds	4,123	4,589	(466)	-10.2%
<b>Total</b>	<b>\$ 106,433</b>	<b>\$ 105,488</b>	<b>\$ 945</b>	<b>0.9%</b>

**General Fund**

The District's General Fund fund balance decreased due mainly to the implementation of a Districtwide salary enhancement program as well as the infusion of approximately 80 new employees, both instructional and noninstructional. The tables that follow illustrate the financial activities and balance of the General Fund.

	Revenues (In Thousands)			
	2007	2006	Increase	Percentage Change
Taxes	\$ 89,194	\$ 81,181	\$ 8,013	9.9%
Interest Earnings	1,559	1,372	187	13.6%
State Revenues	32,583	26,141	6,442	24.6%
Other Revenues	3,880	3,851	29	0.8%
<b>Total</b>	<b>\$ 127,216</b>	<b>\$ 112,545</b>	<b>\$ 14,671</b>	<b>13.0%</b>



The property tax revenue is up \$8 million due to growth in the tax base and the property appraiser’s office certifying a more valuable tax roll at roughly a 25.3 percent increase over the previous year. The District anticipates tax collections will be only slightly larger in the 2007-08 fiscal year since the County experienced only a 3 percent increase in the current tax rolls.

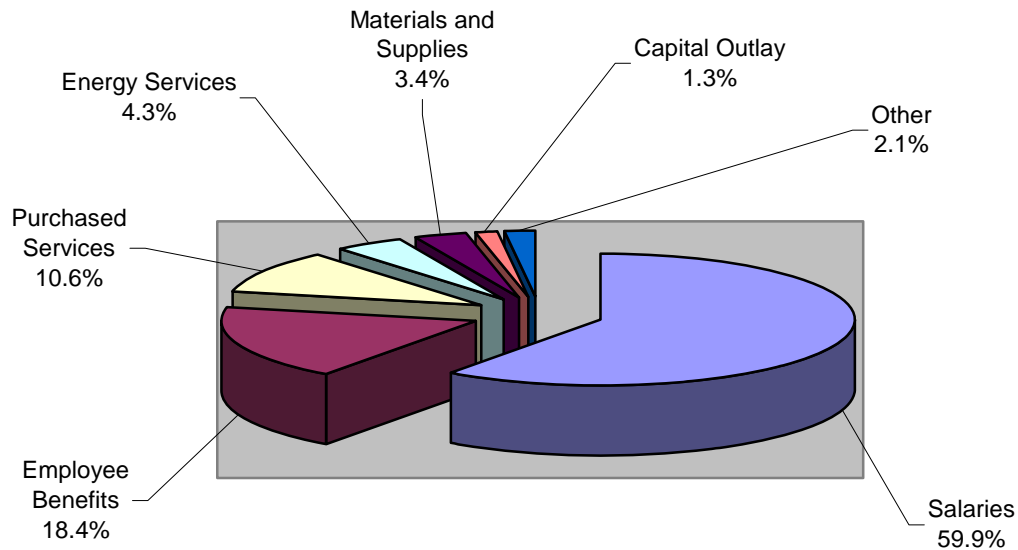
Interest earnings increased 13.6 percent over the prior year and the interest rate environment appears to be becoming more favorable, particularly in the short-term environment. This should help interest revenue stabilize in the coming fiscal year.

State revenue is up \$6.4 million for the fiscal year ended June 30, 2007. This increase is due mainly to the 2006-07 fiscal year increase in the Class Size Reduction Construction funding. This revenue is to be utilized in meeting the requirements of the constitutional amendment requiring a maximum limit in class sizes of 18 students in grades K-3, 22 students in grades 4-8, and 25 students in grades 9-12.

As the table below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The District is a service entity and, as such, is labor intensive.

Expenditures by Object (In Thousands)				
	2007	2006	Increase	Percentage Change
Salaries	\$ 79,052	\$ 71,307	\$ 7,745	10.9%
Employee Benefits	24,332	20,658	3,674	17.8%
Purchased Services	14,048	13,201	847	6.4%
Energy Services	5,689	4,859	830	17.1%
Materials and Supplies	4,516	3,857	659	17.1%
Capital Outlay	1,685	1,970	(285)	-14.5%
Other	2,726	2,420	306	12.6%
<b>Total</b>	<b>\$ 132,048</b>	<b>\$ 118,272</b>	<b>\$ 13,776</b>	<b>11.6%</b>

**Expenditures by Object**



Expenditures are up \$13.8 million, or 11.6 percent over the prior fiscal year. As stated above, this is due mainly to the labor intensive nature of the District’s operations. The salary enhancements and the additional staff accounted for 82.9 percent of the \$13.8 million increase this year over the prior year.

***Debt Service - Other Fund***

The fund balance of the Other Debt Service Fund increased slightly during the fiscal year over the prior fiscal year. This increase is due mainly to the fact that actual debt service payments for the current fiscal year were slightly less than anticipated.

***Capital Projects - Local Capital Improvement Fund***

The fund balance of the Capital Projects - Local Capital Improvement Fund increased by \$8.6 million, or 34.7 percent. This is due mainly to a slow down in construction projects Districtwide.

***Capital Projects - Other Fund***

The fund balance of the Capital Projects – Other Fund decreased by \$5.8 million, or 9.1 percent. This decrease is mainly due to the spend down of certificates of participation proceeds that were originally received in December 2005. However, not all of the construction funds were spent down as of the end of the current fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District’s budget is prepared in accordance with Florida Statute and is based on the modified accrual basis of accounting, which is the same basis as is used to account for actual transactions. The most significant budgeted fund is the General Fund.

The District amended its revenue estimates to reflect more than originally anticipated revenues from interest, property taxes, and other financing sources. Local revenue was originally budgeted at \$91.8 million and the actual

local revenue was \$94.2 million, or an increase of 2.6 percent. This net increase includes a 9.9 percent increase in the property taxes and a 13.6 percent increase in interest revenue. In addition, the District received other financing sources in the amount of \$2.9 million as a transfer from the Capital Projects - Local Capital Improvement Fund in order to support the District's maintenance functions.

The final budget for expenditures increased by \$0.9 million over the original budget primarily due to increases in salaries and health insurance costs, as well as other employee related costs. Other appropriations required changes in functional categories due to spending patterns.

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

#### ***Capital Assets***

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$232.5 million (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; audio visual materials and computer software; property under capital lease; and construction in progress.

The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was approximately 9.1 percent. The majority of the acquisitions were for remodeling and renovation at various sites and buses, furniture and computer equipment replacement throughout the District. Major capital asset events during the current fiscal year included the continuation of a major addition and renovation project at Vero Beach High School. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

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

At June 30, 2007, the District has total long-term debt outstanding of \$109.6 million. Of this amount, \$31.4 million represents State Board of Education bonds issued on behalf of the District, \$77.2 million in certificates of participation, \$0.2 million in obligations under capital leases, and \$0.8 million in unamortized premiums. During the fiscal year, the District made principal payments of \$4 million in bonds, \$2.9 million in certificates of participation, \$0.09 million in capital leases, and \$0.05 million in unamortized premiums. Detailed information regarding long-term debt and notes payable activity is included in the notes to the basic financial statements

### **ECONOMIC FACTORS AND NET YEAR'S BUDGETS AND RATES**

The required local effort (RLE) for the 2007-08 fiscal year is projected to be 4.657 mills (an increase of 0.106 mills), the discretionary remains unchanged at 0.510 mills, the supplemental millage shows a slight decrease of 0.001 mills to 0.101 and capital outlay remains at 2.0 mills. General Fund revenues are projected to be \$138.5 million and expenditures are expected to be \$139.1 million.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general financial overview for all those with an interest in 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 Indian River County District School Board, Assistant Superintendent for Business and Finance, 1990 25<sup>th</sup> Street, Vero Beach, FL 32960.

**EXHIBIT - A**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash	\$ 1,073,480.13	\$ 1,865,002.00
Investments	113,375,788.21	
Accounts Receivable	111,995.62	14,639.00
Interest Receivable		10,600.00
Deposits Receivable	500.00	2,035.00
Deferred Charges - Issuance Costs	947,142.02	71,562.00
Prepaid Items	1,519.00	85,812.00
Due from Other Agencies	14,784,295.34	624,898.00
Inventories	591,250.85	
Capital Assets:		
Land	21,484,661.38	223,717.00
Land Improvements - Nondepreciable	188,739.10	7,187.00
Construction in Progress	19,648,684.71	545,691.00
Improvements Other Than Buildings, Net	8,371,846.43	485,431.00
Buildings and Fixed Equipment, Net	172,205,963.60	5,264,437.00
Furniture, Fixtures, and Equipment, Net	5,614,644.73	374,846.00
Motor Vehicles, Net	3,732,291.66	
Property Under Capital Lease, Net	229,546.01	4,887.00
Audio Visual Materials and Computer Software, Net	1,068,398.45	18,811.00
	<u>\$ 363,430,747.24</u>	<u>\$ 9,599,555.00</u>
<b>TOTAL ASSETS</b>		
	<u>\$ 363,430,747.24</u>	<u>\$ 9,599,555.00</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings	\$ 831,002.87	\$
Accounts Payable	997,930.62	163,819.00
Construction Contracts Payable	1,215,038.96	
Construction Contracts Payable - Retainage	885,960.29	
Due to Other Agencies	2,366,021.16	
Matured Bonds Payable	2,900,000.00	
Matured Bonds Interest Payable	1,747,143.13	
Accrued Interest Payable	270,555.10	10,550.00
Deposits Payable	4,215.00	
Sales Tax Payable	130.19	
Deferred Revenue	1,176,183.78	
Estimated Insurance Claims Payable	3,251,431.52	
Long-Term Liabilities:		
Portion Due Within One Year:		
Obligations Under Capital Leases	74,931.88	2,992.00
Mortgage Payable		263,128.00
Bonds Payable	4,015,000.00	
Compensated Absences Payable	1,500,161.12	
Certificates of Participation Payable	3,045,610.91	
Estimated Long-Term Claims Payable	73,387.00	
Deferred Revenue		220,919.00
Portion Due After One Year:		
Obligations Under Capital Leases	163,042.28	2,640.00
Mortgage Payable		3,580,006.00
Bonds Payable	27,385,000.00	
Compensated Absences Payable	8,879,117.05	
Certificates of Participation Payable	74,925,385.37	
Estimated Long-Term Claims Payable	8,475.60	
	<u>135,715,723.83</u>	<u>4,244,054.00</u>
<b>Total Liabilities</b>	<u>135,715,723.83</u>	<u>4,244,054.00</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	168,013,167.20	3,147,803.00
Restricted for:		
State Categorical Programs	1,259,087.01	
Debt Service	1,301,799.74	
Capital Projects	49,015,812.38	792,546.00
Unrestricted	8,125,157.08	1,415,152.00
	<u>227,715,023.41</u>	<u>5,355,501.00</u>
<b>Total Net Assets</b>	<u>227,715,023.41</u>	<u>5,355,501.00</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 363,430,747.24</u>	<u>\$ 9,599,555.00</u>

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, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 82,995,020.96	\$ 1,454,152.02	\$	\$
Pupil Personnel Services	5,145,834.31			
Instructional Media Services	2,082,350.40			
Instruction and Curriculum Development Services	6,342,319.27			
Instructional Staff Training Services	1,216,930.13			
Instruction Related Technology	598,956.76			
Board of Education	911,264.90			
General Administration	848,124.71			
School Administration	9,214,080.03			
Facilities Acquisition and Construction	12,239,968.19			11,374,775.42
Fiscal Services	1,324,026.24			
Food Services	7,890,312.72	2,951,194.94	4,049,586.49	
Central Services	2,438,438.13			
Pupil Transportation Services	5,161,582.05	10,563.66	3,962,355.00	
Operation of Plant	14,086,752.60			
Maintenance of Plant	3,863,932.19			
Administrative Technology Services	1,926,869.15			
Community Services	1,009,836.07			
Interest on Long-Term Debt	5,062,110.46			564,892.59
Unallocated Depreciation Expense	10,087,850.98			
Loss on Disposal of Assets	327,121.39			
	<u>\$ 174,773,681.64</u>	<u>\$ 4,415,910.62</u>	<u>\$ 8,011,941.49</u>	<u>\$ 11,939,668.01</u>
<b>Total Primary Government</b>				
<b>Component Units</b>				
Charter Schools	<u>\$ 6,269,981.00</u>	<u>\$ 10,520.00</u>	<u>\$ 192,099.00</u>	<u>\$ 161,950.00</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Debt Service				
Property Taxes, Levied for Capital Projects				
Local Sales Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
<b>Total General Revenues</b>				
<b>Change in Net Assets</b>				
Net Assets - July 1, 2006				
Adjustment to Beginning Net Assets				
Net Assets - July 1, 2006, Restated				
<b>Net Assets - June 30, 2007</b>				

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

**EXHIBIT - B**

Net (Expense) Revenue and Changes in Net Assets	
<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
\$ (81,540,868.94)	\$
(5,145,834.31)	
(2,082,350.40)	
(6,342,319.27)	
(1,216,930.13)	
(598,956.76)	
(911,264.90)	
(848,124.71)	
(9,214,080.03)	
(865,192.77)	
(1,324,026.24)	
(889,531.29)	
(2,438,438.13)	
(1,188,663.39)	
(14,086,752.60)	
(3,863,932.19)	
(1,926,869.15)	
(1,009,836.07)	
(4,497,217.87)	
(10,087,850.98)	
<u>(327,121.39)</u>	
<u>(150,406,161.52)</u>	
	<u>(5,905,412.00)</u>
89,193,534.04	
4,828,207.56	
34,531,018.53	
37,796,220.28	6,749,477.00
7,537,238.55	67,229.00
<u>3,033,596.75</u>	<u>18,937.00</u>
<u>176,919,815.71</u>	<u>6,835,643.00</u>
26,513,654.19	930,231.00
201,103,669.01	4,425,270.00
<u>97,700.21</u>	
<u>201,201,369.22</u>	<u>4,425,270.00</u>
<u>\$ 227,715,023.41</u>	<u>\$ 5,355,501.00</u>



**EXHIBIT - C**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2007**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund
<b>ASSETS</b>			
Investments	\$ 10,926,686.45	\$ 4,648,304.23	\$ 32,799,231.24
Accounts Receivable	90,797.52		
Deposits Receivable	500.00		
Prepaid Items	1,519.00		
Due from Other Funds	490,682.54		
Due from Other Agencies	2,509,637.87		922,872.07
Inventories	397,360.35		
<b>TOTAL ASSETS</b>	<b>\$ 14,417,183.73</b>	<b>\$ 4,648,304.23</b>	<b>\$ 33,722,103.31</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 593,261.54	\$	\$ 395,207.24
Accounts Payable	298,153.83		
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Sales Tax Payable	130.19		
Due to Other Funds	73,453.54		628.77
Due to Other Agencies	2,058,961.81		
Deposits Payable	4,215.00		
Deferred Revenue	15,108.67		
Matured Bonds Payable		2,900,000.00	
Matured Interest Payable		1,747,143.13	
<b>Total Liabilities</b>	<b>3,043,284.58</b>	<b>4,647,143.13</b>	<b>395,836.01</b>
Fund Balances:			
Reserved for State Categorical Programs	1,259,087.01		
Reserved for Encumbrances	511,066.43		7,702,195.40
Reserved for Inventories	397,360.35		
Reserved for Debt Service		1,161.10	
Unreserved:			
Designated, Reported in General Fund:			
Designated for Local Carryover Projects	1,176,183.78		
Undesignated, Reported in:			
General Fund	8,030,201.58		
Special Revenue Funds			
Capital Projects Funds			25,624,071.90
<b>Total Fund Balances</b>	<b>11,373,899.15</b>	<b>1,161.10</b>	<b>33,326,267.30</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,417,183.73</b>	<b>\$ 4,648,304.23</b>	<b>\$ 33,722,103.31</b>

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
<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ 51,570,473.06	\$ 2,210,172.19	\$ 102,154,867.17
	17,364.10	108,161.62
		500.00
		1,519.00
628.77	73,453.54	564,764.85
8,189,745.36	2,916,832.42	14,539,087.72
<u>                    </u>	<u>                    </u>	<u>                    </u>
	193,890.50	591,250.85
<u>\$ 59,760,847.19</u>	<u>\$ 5,411,712.75</u>	<u>\$ 117,960,151.21</u>
\$	\$	\$
50,862.81	237,741.33	831,002.87
1,215,038.96	253,706.74	997,930.62
885,960.29		1,215,038.96
		885,960.29
		130.19
	490,682.54	564,764.85
	307,059.35	2,366,021.16
		4,215.00
		15,108.67
		2,900,000.00
<u>                    </u>	<u>                    </u>	<u>                    </u>
		1,747,143.13
<u>2,151,862.06</u>	<u>1,289,189.96</u>	<u>11,527,315.74</u>
28,327,150.97	324,292.67	1,259,087.01
		36,864,705.47
	1,300,638.64	397,360.35
		1,301,799.74
		1,176,183.78
		8,030,201.58
	(336,037.37)	(336,037.37)
<u>29,281,834.16</u>	<u>2,833,628.85</u>	<u>57,739,534.91</u>
<u>57,608,985.13</u>	<u>4,122,522.79</u>	<u>106,432,835.47</u>
<u>\$ 59,760,847.19</u>	<u>\$ 5,411,712.75</u>	<u>\$ 117,960,151.21</u>

**EXHIBIT - D**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
*June 30, 2007*

**Total Fund Balances - Governmental Funds** \$ 106,432,835.47

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. 232,544,776.07

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. 947,142.02

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. 8,130,936.16

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (270,555.10)

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	\$ 81,862.60	
Obligations Under Capital Leases	237,974.16	
Bonds Payable	31,400,000.00	
Certificates of Participation Payable	77,970,996.28	
Compensated Absences Payable	10,379,278.17	(120,070,111.21)

**Total Net Assets - Governmental Activities** \$ 227,715,023.41

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, 2007**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 92,313.82	\$	\$
Federal Through State	294,393.47		
Federal Through Local	48,115.06		
State	32,583,391.77		
Local	94,197,450.01	4,527.98	36,090,413.79
<b>Total Revenues</b>	<u>127,215,664.13</u>	<u>4,527.98</u>	<u>36,090,413.79</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	78,339,565.85		
Pupil Personnel Services	3,958,812.27		
Instructional Media Services	2,060,434.05		
Instruction and Curriculum Development Services	4,481,306.63		
Instructional Staff Training Services	645,224.20		
Instruction Related Technology	591,406.26		
Board of Education	1,060,145.06		
General Administration	463,301.94		
School Administration	8,851,297.62		
Facilities Acquisition and Construction	670,563.36		9,713,458.49
Fiscal Services	1,307,371.37		
Food Services	54,687.45		
Central Services	2,570,842.40		
Pupil Transportation Services	5,098,837.15		
Operation of Plant	14,029,915.06		
Maintenance of Plant	3,827,452.64		
Administrative Technology Services	1,907,800.39		
Community Services	1,011,588.13		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	531,604.03		6,227,202.02
Other Capital Outlay	586,246.47		2,168,297.11
Debt Service:			
Principal	57.26	2,991,844.66	
Interest and Fiscal Charges		3,517,362.72	
<b>Total Expenditures</b>	<u>132,048,459.59</u>	<u>6,509,207.38</u>	<u>18,108,957.62</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(4,832,795.46)</u>	<u>(6,504,679.40)</u>	<u>17,981,456.17</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	2,895,170.00	6,505,840.50	
Proceeds from Sale of Capital Assets	24,168.00		
Insurance Loss Recoveries	538,444.98		
Transfers Out	(2,265.75)		(9,401,010.50)
<b>Total Other Financing Sources (Uses)</b>	<u>3,455,517.23</u>	<u>6,505,840.50</u>	<u>(9,401,010.50)</u>
<b>Net Change in Fund Balances</b>	(1,377,278.23)	1,161.10	8,580,445.67
Fund Balances, July 1, 2006	12,751,177.38		24,745,821.63
<b>Fund Balances, June 30, 2007</b>	<u>\$ 11,373,899.15</u>	<u>\$ 1,161.10</u>	<u>\$ 33,326,267.30</u>

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
<u>                    </u>	<u>                    </u>	<u>                    </u>
\$	\$ 127,480.68	\$ 219,794.50
	11,577,166.23	11,871,559.70
		48,115.06
8,210,376.53	3,917,553.22	44,711,321.52
<u>4,770,505.45</u>	<u>7,937,391.66</u>	<u>143,000,288.89</u>
<u>12,980,881.98</u>	<u>23,559,591.79</u>	<u>199,851,079.67</u>
	3,877,975.81	82,217,541.66
	1,130,550.91	5,089,363.18
	4,998.74	2,065,432.79
	1,721,043.94	6,202,350.57
	551,434.14	1,196,658.34
		591,406.26
		1,060,145.06
	363,332.47	826,634.41
		8,851,297.62
296,579.95	1,540,157.42	12,220,759.22
		1,307,371.37
	7,840,666.29	7,895,353.74
		2,570,842.40
	75,674.02	5,174,511.17
		14,029,915.06
		3,827,452.64
		1,907,800.39
		1,011,588.13
17,837,094.84	1,045,355.33	25,641,256.22
639,865.21	355,338.12	3,749,746.91
	3,955,000.00	6,946,901.92
	<u>1,567,211.48</u>	<u>5,084,574.20</u>
<u>18,773,540.00</u>	<u>24,028,738.67</u>	<u>199,468,903.26</u>
<u>(5,792,658.02)</u>	<u>(469,146.88)</u>	<u>382,176.41</u>
	2,265.75	9,403,276.25
		24,168.00
		538,444.98
		<u>(9,403,276.25)</u>
	<u>2,265.75</u>	<u>562,612.98</u>
(5,792,658.02)	(466,881.13)	944,789.39
<u>63,401,643.15</u>	<u>4,589,403.92</u>	<u>105,488,046.08</u>
<u>\$ 57,608,985.13</u>	<u>\$ 4,122,522.79</u>	<u>\$ 106,432,835.47</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, 2007**

**Net Change in Fund Balances - Governmental Funds** \$ 944,789.39

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

Governmental funds report capital outlays 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.	19,964,028.40
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 balances by the undepreciated cost of the disposed assets.	(889,734.37)
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.	258,921.65
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.	(7,008.09)
The net change in estimated long-term claims payable is reported in the statement of activities, but not in the governmental funds statement.	149,142.99
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	6,946,844.66
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. This is the amount of accrued interest at year-end, less the amount accrued in the prior year.	29,529.09
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(2,405,310.86)
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.	1,522,451.33

**Change in Net Assets - Governmental Activities** \$ 26,513,654.19

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

**EXHIBIT - G**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2007**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 82,384.00	\$ 92,313.82	\$ 92,313.82	\$
Federal Through State	150,000.00	294,393.47	294,393.47	
Federal Through Local		48,115.06	48,115.06	
State	32,538,676.00	32,706,669.95	32,583,391.77	(123,278.18)
Local	91,807,703.00	94,196,949.80	94,197,450.01	500.21
<b>Total Revenues</b>	<b>124,578,763.00</b>	<b>127,338,442.10</b>	<b>127,215,664.13</b>	<b>(122,777.97)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	84,839,336.98	83,647,107.61	78,339,565.85	5,307,541.76
Pupil Personnel Services	3,885,005.72	4,001,091.21	3,958,812.27	42,278.94
Instructional Media Services	2,053,290.83	2,110,229.04	2,060,434.05	49,794.99
Instruction and Curriculum Development Services	5,130,713.38	4,587,057.92	4,481,306.63	105,751.29
Instructional Staff Training Services	794,150.04	798,041.55	645,224.20	152,817.35
Instruction Related Technology	734,472.87	604,787.62	591,406.26	13,381.36
Board of Education	2,937,240.74	1,792,972.46	1,060,145.06	732,827.40
General Administration	452,705.37	547,629.60	463,301.94	84,327.66
School Administration	7,623,084.46	8,863,151.50	8,851,297.62	11,853.88
Facilities Acquisition and Construction	880,967.16	736,690.12	670,563.36	66,126.76
Fiscal Services	1,331,213.20	1,417,581.54	1,307,371.37	110,210.17
Food Services		54,687.45	54,687.45	
Central Services	2,901,412.38	2,931,439.62	2,570,842.40	360,597.22
Pupil Transportation Services	5,482,187.55	5,805,871.89	5,098,837.15	707,034.74
Operation of Plant	13,953,607.33	14,193,976.02	14,029,915.06	164,060.96
Maintenance of Plant	3,912,667.47	4,227,883.09	3,827,452.64	400,430.45
Administrative Technology Services	1,947,993.63	2,058,759.95	1,907,800.39	150,959.56
Community Services	1,046,653.76	1,301,113.11	1,011,588.13	289,524.98
Fixed Capital Outlay:				
Facilities Acquisition and Construction		531,604.03	531,604.03	
Other Capital Outlay		586,246.47	586,246.47	
Debt Service:				
Principal	13,000.00	3,199.28	57.26	3,142.02
<b>Total Expenditures</b>	<b>139,919,702.87</b>	<b>140,801,121.08</b>	<b>132,048,459.59</b>	<b>8,752,661.49</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(15,340,939.87)</b>	<b>(13,462,678.98)</b>	<b>(4,832,795.46)</b>	<b>8,629,883.52</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,005,170.00	2,895,170.00	2,895,170.00	
Proceeds from Sale of Capital Assets			24,168.00	24,168.00
Insurance Loss Recoveries	180,000.00	562,612.98	538,444.98	(24,168.00)
Transfers Out		(2,265.75)	(2,265.75)	
<b>Total Other Financing Sources (Uses)</b>	<b>3,185,170.00</b>	<b>3,455,517.23</b>	<b>3,455,517.23</b>	
<b>Net Change in Fund Balances</b>	<b>(12,155,769.87)</b>	<b>(10,007,161.75)</b>	<b>(1,377,278.23)</b>	<b>8,629,883.52</b>
Fund Balances, July 1, 2006	12,751,177.38	12,751,177.38	12,751,177.38	
<b>Fund Balances, June 30, 2007</b>	<b>\$ 595,407.51</b>	<b>\$ 2,744,015.63</b>	<b>\$ 11,373,899.15</b>	<b>\$ 8,629,883.52</b>

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



**EXHIBIT - H**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS -**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

	Governmental Activities - Internal Service Funds <hr style="border: 0.5px solid black;"/>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 1,073,480.13
Investments	11,220,921.04
Accounts Receivable	3,834.00
Due From Other Agencies	<u>245,207.62</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,543,442.79</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Deferred Revenue	\$ 1,161,075.11
Estimated Insurance Claims Payable	<u>3,251,431.52</u>
<b>Total Liabilities</b>	<b><u>4,412,506.63</u></b>
<b>NET ASSETS</b>	
Unrestricted	<u>8,130,936.16</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,543,442.79</u></b>

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

**EXHIBIT - I**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>	
Premium Revenues	\$ 15,409,625.41
Other Operating Revenues	<u>408,611.56</u>
<b>Total Operating Revenues</b>	<u>15,818,236.97</u>
<b>OPERATING EXPENSES</b>	
Insurance Claims	10,325,669.15
Insurance Premiums	2,533,705.99
Service Agent Fees	1,763,159.00
Other Expenses	<u>215,970.92</u>
<b>Total Operating Expenses</b>	<u>14,838,505.06</u>
<b>Operating Income</b>	<u>979,731.91</u>
<b>NONOPERATING REVENUES</b>	
Interest	<u>542,719.42</u>
<b>Change in Net Assets</b>	1,522,451.33
Total Net Assets, July 1, 2006	6,510,784.62
Adjustment to Beginning Net Assets	97,700.21
Total Net Assets, July 1, 2006, Restated	<u>6,608,484.83</u>
<b>Total Net Assets, June 30, 2007</b>	<u><u>\$ 8,130,936.16</u></u>

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

**EXHIBIT - J**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received for Premiums	\$ 15,179,607.26
Cash Received from Other Operating Revenues	408,611.56
Cash Payments for Reinsurance Premiums	(2,543,776.33)
Cash Payments to Employees for Services	(81,868.03)
Cash Payments for Other Fees	(1,763,159.00)
Cash Payments for Other Services	(134,448.63)
Cash Payment for Insurance Claims	(10,081,240.55)
	983,726.28
<b>Net Cash Provided by Operating Activities</b>	<b>983,726.28</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(1,266,471.65)
Interest Income	542,719.42
	(723,752.23)
<b>Net Cash Used by Investing Activities</b>	<b>(723,752.23)</b>
<b>Net Increase in Cash</b>	<b>259,974.05</b>
Cash, Beginning	715,805.87
Adjustment to Beginning Cash	97,700.21
Cash, Beginning, Restated	813,506.08
<b>Cash, Ending</b>	<b>\$ 1,073,480.13</b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 979,731.91
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(3,834.00)
Decrease in Due From Other Funds	4,870.00
Decrease in Due To Other Funds	(345.74)
Increase in Due From Other Agencies	(245,207.62)
Increase in Deferred Revenues	14,153.47
Decrease in Accounts Payable	(10,070.34)
Increase in Estimated Insurance Claims Payable	244,428.60
	3,994.37
<b>Total Adjustments</b>	<b>3,994.37</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 983,726.28</b>

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

**EXHIBIT - K  
INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
June 30, 2007**

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 3,306.20	\$ 428,721.45
Investments	80,292.52	646,076.00
Inventory		20,535.00
	<u>83,598.72</u>	<u>1,095,332.45</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 83,598.72</u></b>	<b><u>\$ 1,095,332.45</u></b>
<b>LIABILITIES</b>		
Due to Other Agencies	\$ 4,500.00	\$
Internal Accounts Payable		1,095,332.45
	<u>4,500.00</u>	<u>1,095,332.45</u>
<b>Total Liabilities</b>	<b><u>4,500.00</u></b>	<b><u>\$ 1,095,332.45</u></b>
<b>NET ASSETS</b>		
Assets Held in Trust for Scholarships and Other Purposes	<u>79,098.72</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 83,598.72</u></b>	

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

**EXHIBIT - L**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Private-Purpose Trust Fund</u>
<b>ADDITIONS</b>	
<b>Investment Earnings:</b>	
Net Increase in Fair Value of Investments	\$ 79.69
Interest, Dividends, and Other	<u>3,853.12</u>
<b>Total Investment Earnings</b>	<u>3,932.81</u>
<b>DEDUCTIONS</b>	
Other Expenses	<u>4,500.00</u>
<b>Change in Net Assets Held in Trust for:</b>	
Scholarships for Individuals	(567.19)
Net Assets, July 1, 2006	<u>79,665.91</u>
<b>Net Assets, June 30, 2007</b>	<u><u>\$ 79,098.72</u></u>

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

**EXHIBIT – M**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**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, was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. 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 other component units.

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

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

Sebastian Charter Junior High, Inc., was established to educate students in grades 6 through 8 in a 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.

St. Peter's Academy, Inc., a charter school was established to provide educational services to students in grades K through 5, to demonstrate that students can learn at high levels, through academically rigorous and innovative curriculum that incorporates the development of good character.

**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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, 2007, 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.
- Debt Service – Other Fund – to account for financial resources generated for debt principal and interest for the Series 2005, Certificates of Participation.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, payments on operating leases, motor vehicle purchases, equipment purchases, and costs of environmental compliance.
- Capital Projects – Other Fund – to account for other financial resources generated by the Series 2005, Certificates of Participation, Impact Fees, and Class Size Reduction Construction funds to be used for capital projects.

**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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

- Internal Service Fund – to account for the District's individual self-insurance programs and to account for the resources of the East Central Florida Management Training Institute (MTI) consortium for which the School Board of Indian River County acted as fiscal agent for the 2006-07 fiscal year.
- Private-Purpose Trust Fund – to account for resources of the Estate of Waldo Schraubstader Scholarship Trust Fund.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

➤ **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 Proprietary Funds are accounted for under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish 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 funds are charges for employee health insurance premiums and services related to the MTI. Operating expenses include insurance premiums, claims, training expense and other related expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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



**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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 funds, 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 – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

<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 using a straight-line method over the life of the related debt.

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 – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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 also received an allocation of Class Size Reduction funds. 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 2006 tax levy on September 5, 2006. 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. CHANGE IN ACCOUNTING PRINCIPLE**

At the start of the 2006-07 fiscal year, the District changed the accounting of the Management Training Institute fund from an Agency Fund to an Internal Service Fund. This change is reflected as an adjustment

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to beginning net assets in the amount of \$97,700.21 on the Statement of Activities and in the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.

**3. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

➤ **Budgetary Information**

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

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

➤ **Deficit Fund Balance in Individual Nonmajor Fund**

The following Special Revenue – Food Service Fund has a deficit fund balance at June 30, 2007:

	Fund Balance 7-1-06	Change in Fund Balance Fiscal Year 2006-07	Fund Balance 6-30-07
Special Revenue - Food Service Fund	\$526,720.27	\$(862,757.64)	\$(336,037.37)

The deficit is primarily attributed to a reduction in revenues related to the end of the Federal Provision II, Breakfast Program, which had been in place for the previous seven years. The requirements of Provision II, Breakfast Program include the establishment of a base year every seven years. No program revenue is generated during the base year. The base year is used to calculate the free and reduced meal percentage for the next seven years. Fiscal year 2006-07 was the year to reestablish the base for the free and reduced meal percentage.

**4. INVESTMENTS**

As of June 30, 2007, the District has the following investments and maturities:

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Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	26 Day Average	\$ 109,604,689.44
State Board of Administration Debt Service Accounts	6 Months	141,059.79
Mutual Funds:		
U.S. Government Securities Trust (1)	N/A	46,579.71
First American Money Market Fund (2)	3 Days	<u>4,660,606.46</u>
<b>Total Investments</b>		<b><u>\$ 114,452,935.40</u></b>

- Notes: (1) The U.S. Government Securities Trust invests exclusively in U.S. Government securities.  
(2) The First American Money Market Fund invests exclusively in short-term U.S. Government Securities and repurchase agreements secured by U.S. Government Securities.

Reconciliation of investments as shown on the Statement of Net Assets:

	Statement of Net Assets
Fair Value of Investments	\$ 114,452,935.40
Deposits (1)	(350,778.67)
Total	<u>\$ 114,102,156.73</u>
Investments - Statement of Net Assets	\$ 113,375,788.21
Investments - Fiduciary	<u>726,368.52</u>
Total	<u>\$ 114,102,156.73</u>

- Note: (1) The District invests the float (checks written and still outstanding) on its various depository accounts in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, which results in negative cash balances even though the depository accounts are not overdrawn.

**Interest Rate Risk**

- Section 218.415(17), Florida Statutes, limits investment 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, provides the authority to invest in the State Board of Administration Local Governments Surplus Funds Trust Fund Investment Pool and 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 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

**EXHIBIT – M (Continued)**  
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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, 2007, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
- As of June 30, 2007, the District's investment in the First American Money Market Fund is rated AAAm by Standard and Poor's, Aaa by Moody's Investors Service, and AAA by Fitch's Rating Agency.
- As of June 30, 2007, the District's investment in the U.S. Government Securities Trust is rated AAAF by Standard and Poor's.

**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.
- The District's investments include \$45,077,361.48 held in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool and \$4,660,606.46 in the First American Money Market Fund held under trust agreements pursuant to financing arrangements of the Certificates of Participation, Series 2005, by the trustee in the District's name.

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

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	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 21,002,422.95	\$ 482,238.43	\$	\$ 21,484,661.38
Improvements Other Than Buildings	188,739.10			188,739.10
Construction in Progress	16,639,140.85	18,465,187.58	15,455,643.72	19,648,684.71
<b>Total Capital Assets Not Being Depreciated</b>	<b>37,830,302.90</b>	<b>18,947,426.01</b>	<b>15,455,643.72</b>	<b>41,322,085.19</b>
Capital Assets Being Depreciated				
Improvements Other Than Buildings	13,803,339.67	2,828,897.70	298,741.12	16,333,496.25
Buildings and Fixed Equipment	209,952,503.69	19,847,617.00		229,800,120.69
Furniture, Fixtures, and Equipment	19,577,949.91	3,519,795.02	2,850,441.49	20,247,303.44
Motor Vehicles	8,023,625.45	251,603.05	128,445.16	8,146,783.34
Property Under Capital Leases	714,105.86		296,225.83	417,880.03
Audio Visual Materials and Computer Software	3,208,922.33	371,105.97	99,460.34	3,480,567.96
<b>Total Capital Assets Being Depreciated</b>	<b>255,280,446.91</b>	<b>26,819,018.74</b>	<b>3,673,313.94</b>	<b>278,426,151.71</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	7,206,706.17	754,943.65		7,961,649.82
Buildings and Fixed Equipment	51,476,560.87	6,117,596.22		57,594,157.09
Furniture, Fixtures, and Equipment	15,071,534.88	2,150,986.68	2,589,862.85	14,632,658.71
Motor Vehicles	3,959,925.27	507,323.58	52,757.17	4,414,491.68
Property Under Capital Leases	246,843.03		58,509.01	188,334.02
Audio Visual Materials and Computer Software	1,937,619.20	557,000.85	82,450.54	2,412,169.51
<b>Total Accumulated Depreciation</b>	<b>79,899,189.42</b>	<b>10,087,850.98</b>	<b>2,783,579.57</b>	<b>87,203,460.83</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>175,381,257.49</b>	<b>16,731,167.76</b>	<b>889,734.37</b>	<b>191,222,690.88</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 213,211,560.39</b>	<b>\$ 35,678,593.77</b>	<b>\$ 16,345,378.09</b>	<b>\$ 232,544,776.07</b>

The classes of property under capital leases are presented in Note 6.

The District's capital assets serve several functions; accordingly, total depreciation expense of \$10,087,850.98 is reported as unallocated depreciation expense on the Statement of Activities.

**6. OBLIGATIONS UNDER CAPITAL LEASES**

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

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	<u>Asset Balance</u>
Software (Payroll System Upgrade)	\$ 415,000.00
Other Office Equipment	2,880.03
<b>Total</b>	<b>\$ 417,880.03</b>

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 88,299.76	\$ 74,931.89	\$ 13,367.87
2009	88,299.76	79,563.67	8,736.09
2010	88,299.76	83,478.60	4,821.16
<b>Total Minimum Lease Payments</b>	<b>\$ 264,899.28</b>	<b>\$ 237,974.16</b>	<b>\$ 26,925.12</b>

The stated interest rate is 6.09 percent.

**7. 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, 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, 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.



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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>
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	6,393,376.26	3,450,000.00	2,943,376.26
2013-2017	31,975,603.80	19,445,000.00	12,530,603.80
2018-2022	31,974,806.28	24,100,000.00	7,874,806.28
2023-2026	<u>19,189,000.00</u>	<u>17,505,000.00</u>	<u>1,684,000.00</u>
Total Minimum Lease Payments	115,109,056.38	77,150,000.00	37,959,056.38
Plus: Unamortized Premium	<u>820,996.28</u>	<u>820,996.28</u>	
Total Certificates of Participation	<u>\$ 115,930,052.66</u>	<u>\$ 77,970,996.28</u>	<u>\$ 37,959,056.38</u>

**8. BONDS PAYABLE**

Bonds payable at June 30, 2007, 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 2005A	\$ 6,090,000	4.0 - 5.0	2025
District General Obligation Bonds:			
Series 2002, Refunding	16,015,000	3.0 - 5.0	2013
Series 2003, Refunding	<u>9,295,000</u>	3.0 - 5.0	2011
Total Bonds Payable	<u>\$ 31,400,000</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.

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➤ **District General Obligation Bonds**

General Obligation Bonds, Series 2002 and Series 2003, are authorized by Indian River County 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, 2007, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
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	491,450.00	265,000.00	226,450.00
2013-2017	2,487,250.00	1,570,000.00	917,250.00
2018-2022	2,469,700.00	1,945,000.00	524,700.00
2023-2025	1,481,043.75	1,365,000.00	116,043.75
<b>Total State School Bonds</b>	<b>8,901,993.75</b>	<b>6,090,000.00</b>	<b>2,811,993.75</b>
<b>General Obligation Bonds:</b>			
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	5,007,250.00	4,520,000.00	487,250.00
2013	5,011,250.00	4,750,000.00	261,250.00
<b>Total General Obligation Bonds</b>	<b>29,549,127.50</b>	<b>25,310,000.00</b>	<b>4,239,127.50</b>
<b>Total</b>	<b>\$ 38,451,121.25</b>	<b>\$ 31,400,000.00</b>	<b>\$ 7,051,121.25</b>

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

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable	\$ 80,050,000.00	\$	\$ 2,900,000.00	\$ 77,150,000.00	\$ 3,000,000.00
Unamortized Premiums	866,607.19		45,610.91	820,996.28	45,610.91
Certificates of Participation Payable, Net	<u>80,916,607.19</u>		<u>2,945,610.91</u>	<u>77,970,996.28</u>	<u>3,045,610.91</u>
Estimated Long-Term Claims Payable	231,005.59		149,142.99	81,862.60	73,387.00
Obligations under Capital Leases	329,818.82		91,844.66	237,974.16	74,931.89
Bonds Payable	35,355,000.00		3,955,000.00	31,400,000.00	4,015,000.00
Compensated Absences Payable	<u>7,973,967.31</u>	<u>3,905,471.98</u>	<u>1,500,161.12</u>	<u>10,379,278.17</u>	<u>1,500,161.12</u>
Total Governmental Activities	<u>\$124,806,398.91</u>	<u>\$ 3,905,471.98</u>	<u>\$ 8,641,759.68</u>	<u>\$ 120,070,111.21</u>	<u>\$ 8,709,090.92</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, 2007, a final payment of \$71,875 is due in the 2008 fiscal year.

**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 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

**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:		
General	\$ 490,682.54	\$ 73,453.54
Capital Projects:		
Local Capital Improvement		628.77
Other	628.77	
Nonmajor Governmental	<u>73,453.54</u>	<u>490,682.54</u>
Total	<u>\$ 564,764.85</u>	<u>\$ 564,764.85</u>

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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:		
General	\$ 2,895,170.00	\$ 2,265.75
Capital Projects:		
Local Capital Improvement		9,401,010.50
Debt Service - Other	6,505,840.50	
Nonmajor Governmental	2,265.75	
Total	<b>\$ 9,403,276.25</b>	<b>\$ 9,403,276.25</b>

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 2006-07 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 8,326,203.00
Categorical Educational Programs:	
Class Size Reduction	13,549,600.00
Transportation	3,962,355.00
Instructional Materials	1,848,210.00
School Recognition	840,519.00
Voluntary Prekindergarten	430,993.63
Other	578,072.93
Class Size Reduction Construction	8,183,025.00
Gross Receipts Tax (Public Education Capital Outlay)	3,082,537.00
Workforce Development Program	955,557.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	674,106.01
Discretionary Lottery Funds	671,923.00
Charter School Capital Outlay	849,577.00
Mobile Home License Tax	153,217.52
Food Service Supplement	170,710.93
Miscellaneous	434,714.50
Total	<b>\$ 44,711,321.52</b>

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

**13. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>GENERAL FUND</u></b>		
Nonvoted School Tax:		
Required Local Effort	4.551	\$ 81,399,382
Basic Discretionary Local Effort	0.510	9,121,893
Supplemental Discretionary Local Effort	0.102	1,824,378
<b><u>DEBT SERVICE FUNDS</u></b>		
Voted Tax:		
Special Tax School District No. 1	0.280	5,008,100
<b><u>CAPITAL PROJECTS FUNDS</u></b>		
Nonvoted Tax:		
Local Capital Improvements	2.000	35,772,083
Total	7.443	\$ 133,125,836

**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

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for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

***Funding Policy.*** The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon 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 for the fiscal years ending June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$4,904,086.40, \$5,385,175.82, and \$7,211,915.66, respectively, which were equal to the required contributions for each fiscal year.

***Defined Contribution Plan.*** Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers 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 329 District participants in PEORP during the 2006-07 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2007, totaled \$956,188.03.

***Pension Reporting.*** The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida

**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

**15. SPECIAL TERMINATION BENEFITS**

School Board policy provides for the payment of special termination benefits to qualifying employees equal to 100 percent of accrued vacation leave at the date of termination of employment. In addition to payments for accrued leave used and regular termination benefits, the District reported expenditures totaling \$2,227.20 during the 2006-07 fiscal year for special termination benefits.

During the 1994-95 fiscal year, the District 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 \$9,987.60 for the 63 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 – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

Project	Contract Amount	Completed to Date	Balance Committed
Vero Beach High School Remodel and Renovations Phase 1 & Phase 2:			
Architect	\$ 1,821,600.00	\$ 1,506,055.00	\$ 315,545.00
Contractor Phase 1	12,271,170.00	11,367,979.00	903,191.00
Contractor Phase 2	<u>26,459,691.00</u>	<u>543,306.00</u>	<u>25,916,385.00</u>
Total	<u>\$ 40,552,461.00</u>	<u>\$ 13,417,340.00</u>	<u>\$ 27,135,121.00</u>

**17. OPERATING LEASE COMMITMENTS**

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

Fiscal Year Ending June 30	Amount
2008	\$ 54,495.17
2009	28,033.57
2010	1,437.88
2011	996.36
2012	<u>166.06</u>
Total Minimum Payments Required	<u>\$ 85,129.04</u>

**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 2006-07 fiscal year, MTI had five full members. In addition, MTI provided training on a fee basis to other nonmember districts and individual schools through 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



**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

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 coverages through commercial insurance carriers for workers' compensation and property loss claims in excess of \$1,000,000 and \$2,500,000, respectively. Settled claims resulting from these risks have exceeded commercial coverage within the past three fiscal years.

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, 2007, a final payment of \$71,875 is due in the 2008 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 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:

**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2005-06	\$ 2,570,189.40	\$ 9,582,094.42	\$ (9,145,280.90)	\$ 3,007,002.92
2006-07	3,007,002.92	10,325,669.15	(10,081,240.55)	3,251,431.52

**20. INTERNAL SERVICE FUNDS**

The following is a summary of financial information as reported in the Internal Service Funds for the 2006-07 fiscal year:

	Total	Group Health Insurance	Management Training Institute Consortium
Total Assets	<u>\$ 12,543,442.79</u>	<u>\$12,472,003.74</u>	<u>\$ 71,439.05</u>
Liabilities and Net Assets:			
Deferred Revenue	\$ 1,161,075.11	\$ 1,161,075.11	\$
Estimated Insurance Claims Payable	3,251,431.52	3,251,431.52	
Net Assets:			
Unrestricted Net Assets	<u>8,130,936.16</u>	<u>8,059,497.11</u>	<u>71,439.05</u>
Total Liabilities and Net Assets	<u>\$ 12,543,442.79</u>	<u>\$12,472,003.74</u>	<u>\$ 71,439.05</u>
Revenues:			
Premium Contributions	\$ 15,409,625.41	\$15,409,625.41	\$
Interest Income	542,719.42	542,719.42	
Other	<u>408,611.56</u>	<u>300,424.09</u>	<u>108,187.47</u>
Total Revenues	16,360,956.39	16,252,768.92	108,187.47
Total Expenses	<u>(14,838,505.06)</u>	<u>(14,704,056.43)</u>	<u>(134,448.63)</u>
Change in Net Assets	<u>\$ 1,522,451.33</u>	<u>\$ 1,548,712.49</u>	<u>\$ (26,261.16)</u>

**21. LITIGATION**

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

**EXHIBIT – M (Continued)**  
**INDIAN RIVER COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**22. SUBSEQUENT EVENTS**

On August 7, 2007, the Board issued Certificates of Participation in the amount of \$45,020,000 with interest rates ranging from 4.0 percent to 5.0 percent and a final maturity of July 2, 2027. The purpose of these certificates is to provide financing for the construction of a new middle school.

As discussed in Note 4, at June 30, 2007, the District had \$109,604,689.44 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the District and the State Board of Administration. The District had \$55,901,458 invested in the Pool as of January 15, 2008.

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FEDERAL REPORTS AND SCHEDULES

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*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*



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON 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, 2007, 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. 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 school internal funds and 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***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*.

Also, we noted certain additional matters which are not material to the basic financial statements which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** and the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,



David W. Martin, CPA  
January 15, 2008



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the  
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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, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - 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 compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.



In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 and 2.

### ***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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 and 2, to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** to be material weaknesses.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,



David W. Martin, CPA

January 15, 2008

**INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2007**

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
<b>United States Department of Agriculture:</b>				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550(2)	None	\$ 244,014.64	\$ _____
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	801,887.75	
National School Lunch Program	10.555	300	2,657,265.19	
Summer Food Service Program for Children	10.559	323	<u>77,018.96</u>	
<b>Total Child Nutrition Cluster</b>			<u>3,536,171.90</u>	
Child and Adult Care Food Program	10.558	302	<u>197,548.15</u>	
<b>Total United States Department of Agriculture</b>			<u>3,977,734.69</u>	
<b>United States Department of Education:</b>				
Direct:				
Fund for the Improvement of Education	84.215	N/A	<u>127,480.68</u>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	3,293,416.00	
Special Education - Preschool Grants	84.173	267	102,841.35	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	434.12	
St. Lucie County District School Board:				
Special Education - Grants to States	84.027	None	<u>20,214.00</u>	
<b>Total Special Education Cluster</b>			3,416,905.47	
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191	119,585.00	
Title I Grants to Local Educational Agencies	84.010	212	2,822,063.20	57,384.53
Migrant Education - State Grant Program	84.011	217	225,160.86	
Vocational Education - Basic Grants to States	84.048	151	175,446.18	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	60,715.67	
State Grants for Innovative Programs	84.298	113	33,887.43	
Education Technology State Grants	84.318	121	26,416.49	
English Language Acquisition Grants	84.365	102	137,732.40	
Improving Teacher Quality State Grants	84.367	224	695,925.59	
Hurricane Education Recovery	84.938	None	20,655.17	
Washington County District School Board:				
Even Start - State Educational Agencies	84.213	None	20,606.00	
Indian River Community College:				
Tech-Prep Education	84.243	None	<u>6,860.94</u>	
<b>Total Indirect</b>			<u>7,761,960.40</u>	<u>57,384.53</u>
<b>Total United States Department of Education</b>			<u>7,889,441.08</u>	<u>57,384.53</u>
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	<u>5,100.50</u>	
<b>United States Department of Defense:</b>				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	<u>92,313.82</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 11,964,590.09</u>	<u>\$ 57,384.53</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2006-07 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 food used during the 2006-07 fiscal year. Commodities are valued as determined at the time of donation.

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**INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SUMMARY OF AUDITOR'S 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, 2007:

- An unqualified opinion was issued on the financial statements.
- No significant deficiencies involving the internal control and its operation were reported.
- No noncompliance was reported which is material to the financial statements.
- Significant deficiencies in internal control over major Federal programs were reported, although the significant deficiencies were not considered to be material weaknesses.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; and Improving Teacher Quality State Grants (CFDA No. 84.367).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$358,938. **(WP 15-7)**
- 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, 2007**

**FINDINGS AND RECOMMENDATIONS**

**Federal Awards Finding No. 1:**

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

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

**Program:** Title I Grants to Local Educational Agencies (CFDA No. 84.010)

**Finding Type:** Significant Deficiency and Noncompliance

**Questioned Costs:** \$46,221

**Allowable Costs/Cost Principles – Personnel Costs.** Enhancements were needed in District procedures to ensure salary and benefit charges to the Title I program were correct. The United States Office of Management and Budget *Circular A-87*, Attachment B, paragraph 8.h.(3), requires that in instances where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared semiannually and will be signed by the employee or supervisor having first hand knowledge of the work performed by the employee. Paragraph 8.h.(4) and (5) require that in instances where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports. These reports must reflect an after-the-fact distribution of the actual activity for each employee, must account for the total activity for which the employee is compensated, and must be signed by the employee.

Audit tests of five employees disclosed that one employee completed time and effort certifications indicating that 100 percent of the employee's time was spent on the Migrant program; however, our review of District records and inquiries with the Title I Grant Coordinator and Title I Specialist disclosed that 25 percent of the employee's time was erroneously charged to the Title I program, resulting in the Title I program being overcharged by \$27,196. Additionally, audit tests disclosed a secretary, whose salary was funded, in part, by the Title I program, who did not complete any personnel activity reports even though the secretary worked on multiple activities. The District considered that secretaries were not required to complete personnel activity reports; however, without the completed reports, the District cannot document that the salaries and benefits of the secretary were allowable costs of the Title I grant, resulting in questioned costs totaling \$19,025.

**Recommendation:** The District should enhance its procedures to ensure that employees working on multiple cost activities complete the required personnel activity reports and that expenditures are properly charged to Federal programs. Additionally, the District should document to the grantor (Florida Department of Education) the allowability of salary and benefit costs, totaling \$46,221, or restore the questioned costs to the program.

District Contact Person: Charlene Tardi, Director of Alternative Education

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**Federal Awards Finding No. 2:**

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

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

**Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)**

**Finding Type: Significant Deficiency and Noncompliance**

**Questioned Costs: Not Applicable**

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**Allowable Costs/Cost Principles – Indirect Costs.** The United States Office of Management and Budget *Circular A-87* provides principles for determining allowable costs, including indirect costs which may be allocated to a Federal program. Indirect costs are costs which are incurred for a common or joint purpose and are not readily assignable to a specific cost objective. These costs are normally charged to a Federal program by use of an approved indirect cost rate.

Since the District did not achieve adequate yearly progress by increasing student test scores in required areas, the Florida Department of Education (FDOE) imposed sanctions on the District to redirect Title I resources from indirect costs to particular instructional areas that needed improvement. While the District was required to reduce the allowable indirect cost rate and the amount of indirect costs that could be charged to the Title I program, our review disclosed that it did not follow these requirements. Additionally, although FDOE informed the District that indirect cost charges could not be applied against Title I program expenditures for choice related transportation and supplemental educational services, the District inadvertently applied its indirect cost rate to those expenditures. As a result of these oversights, the District had indirect cost over-charges, totaling \$47,010, to the Title I program. Subsequent to the end of the 2006-07 fiscal year, we brought these errors to the District's attention, and in October 2007, after the close of the grant period, the District corrected these errors and submitted a corrected financial report to FDOE.

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**Recommendation: The District should enhance its procedures to ensure that indirect costs are accurately charged to the Title I program as directed by the Florida Department of Education.**

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District Contact Person: Charlene Tardi, Director of Alternative Education

*INDIAN RIVER COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2007*

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
2007-144 (1)	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) - Allowable Costs/Cost Principles	The District did not provide expense support for small projects and, as a result, \$509,681 is considered questioned costs. In addition, \$3,112,457 of large projects were obligated by FEMA; however, the District had not requested reimbursement for these costs.	Uncorrected. Condition remains the same for the 2006-07 fiscal year.	

**MANAGEMENT RESPONSE SECTION**





# School District of Indian River County

"A CommUNITY Partnership Toward Educational Excellence"

Harry J. La Cava, Ed.D. • Superintendent

December 18, 2007

David W. Martin, CPA  
 Office of the Auditor General  
 State of Florida  
 G74 Claude Pepper Building  
 111 West Madison Street  
 Tallahassee, FL 32399-1450

Dear Mr. Martin:

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, 2007. The following are the responses as submitted by the appropriate staff.

**Finding No. 1: Financial Condition – Food Service Program**

The District concurs with the auditor’s recommendation regarding the food service program. In fact, the District’s staff has implemented a revenue enhancement and cost containment initiative at the beginning of the current fiscal year. This initiative includes, but is not limited to, measures to increase the food service fund balance by eliminating a manager trainee position, increasing meal participation and revenue by utilizing vendor supplied promotions and merchandising programs, installing enhanced internal controls over the monitoring of cash, meal counts, etc. and eliminating monitor meal pricing for teachers at a savings of \$1.50 per meal. As of November 30, 2007, year to date reimbursements have increased \$161,630 as compared to November 2006 year to date reimbursements.

**Finding No. 2: Architect Insurance**

The District concurs with the auditor’s recommendation. Pursuant to the prior year’s audit finding on the subject matter, District personnel reviewed and implemented procedures to ensure that any architect’s professional liability insurance coverage is compliant with the policy that requires architectural firms to provide such insurance, with coverage amounts being based upon contract value. Further enhancements to these procedures will be implemented to monitor major construction contracts in order to ensure that adequate insurance coverage is obtained from architectural firms.

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

**Federal Awards - Finding No. 1: Allowable Costs/Costs Principles – Personnel Costs****Migrant Education Program**

During the 2006/2007 school year, one employee, a migrant secondary advocate, was charged 25% to the Title I Program. It was the District's understanding that this was an allowable use of Title I funds. When Title I staff was informed of this finding, they immediately contacted the Florida Department of Education (FLDOE). The FLDOE provided guidance and assurance that this was indeed an allowable expenditure. District Title I staff was in frequent communication with the FDOE through early October 2007 in an effort to obtain clarification and formal guidance from the United States Department of Education (USDE) on this issue. The District was notified by the state in mid-October that the USDE interpretation of the use of Title I Part A funds to support Migrant Education activities was no longer allowable. Upon receiving this information, the District took measures to correct this issue. As of the 2007/2008 school year, the employee in question is being charged 100% to the Migrant Education Program.

**Title I Program**

The District requires any employee, including secretaries, working on a single or on multiple activities/cost objectives to complete personnel activity reports. The Title I Program had received guidance from FLDOE program staff that the secretary working directly under the supervision of the Title I Director was not required to complete time and effort certifications since her duties were directly reflective of the responsibilities of the Title I Director. The District has operated under this guidance for approximately 17 years.

Once Title I staff was notified by the auditor that all staff is required to complete time personnel activity reports, the employee in question immediately completed the activity forms for the entire fiscal year. On August 20, 2007, Title I staff received guidance from the FLDOE that any split-funded employee is required to keep time personnel activity reports. The District will ensure that all federally funded employees maintain the appropriate personnel activity reports.

**Federal Awards - Finding No. 2: Allowable Costs/Costs Principles – Indirect Costs**

The District concurs with the auditor's recommendation and has corrected the indirect cost overcharges to the 2006/2007 Title I Program. The District will ensure that as long as the No Child Left Behind sanctions are in effect, the indirect cost restrictions will be correctly applied to the program.

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,



Harry J. La Cava, Ed.D.  
Superintendent

Cc: School Board Members  
Michael Degutis – Assistant Superintendent of Business & Finance  
Carter Morrison – Executive Director of Finance