The Florida Legislature
Joint Legislative Auditing Committee

Representative Greg Evers, Chair
Senator Alex Diaz de la Portilla, Vice Chair

Meeting Packet
Monday, January 11, 2010
4:00 p.m. to 6:00 p.m.
309 Capitol

Kathryn H. DuBose, Staff Director
111 West Madison Street, Room 876, Claude Pepper Building, Tallahassee, Florida 32399-1400
Telephone (850) 487-4110 Facsimile (850) 922-5667
jlac@leg.state.fl.us

AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

DATE: Monday, January 11, 2010

TIME: 4:00 p.m. to 6:00 p.m.

PLACE: Room 309, The Capitol

MEMBERS: Representative Greg Evers, Chair
Senator Alex Diaz de la Portilla, Vice Chair

Senator Andy Gardiner	Representative Betty Reed
Senator Charlie Justice	Representative Dwayne L. Taylor
Senator Jeremy Ring	Representative John Tobia
Senator Stephen R. Wise	Representative Charles E. Van Zant

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1. Presentation and discussion of Auditor General Report 2009-186, Pinellas County District School Board - Financial, Operational, and Federal Single Audit

2. Discussion concerning the City of Islandia

3. Presentation and discussion of OPPAGA Report 09-35, Benefits from Statewide Cable and Video Franchise Reform Remain Uncertain

4. Other Committee Business

Agenda Item 1

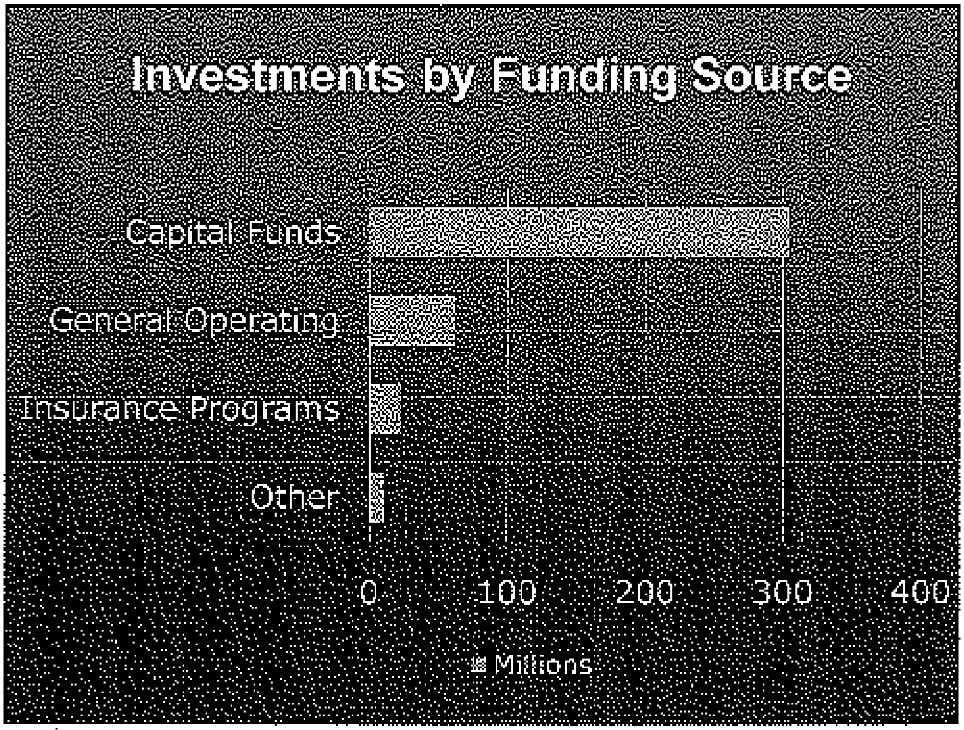
Legislative Auditing Committee

Pinellas County District School Board
Audit Report No. 2009-186
2007-08 Fiscal Year

Investment Controls

MATERIAL WEAKNESS

- **Finding No. 1: Improvements are needed in internal controls over the investment program to strengthen accountability.**



Finding Nos. 1A-1H
Investment Program Management

- Investment policies and procedures could be expanded to address the following eight areas:
- (1A) **Annual training requirements** for employees designated to operate the program upon the Manager's absence;
- (1B) Enhanced **Ethics Policies**;
- (1C) **Benchmarks** that more closely match the Board's investment and investment performance objectives;

Finding Nos. 1A-1H
Investment Program Management

- Specific procedures for (1D) investment transaction and (1E) performance monitoring;
- (1F) Enhanced controls over the preparation of cash flow projections; and
- (1G) Accounting and (1H) electronic funds transfer controls.

Finding 1A
Investment Program Training Activities

- Given the complexities and volatility of the current investment environment, the Board's investment policies and procedures should be expanded to establish **annual training requirements** for employees designated to operate the program upon the Manager's absence.

Finding 1B
Investment Program Ethics Policies

Revise policy to require employees responsible for managing investments to:

- Avoid personal, social, employment or business relationships that reflect adversely on the individual's objectivity, create conflicts of interest or interfere with the proper performance of official duties;
- Fully disclose personal financial or investment positions that relate to performance of the investment portfolio; and, disclose material interests in financial institutions with which they conduct business;
- Not use the prestige or influence of their position or District resources to obtain personal, financial or political gain or private advantage;
- Not seek or accept gifts, money, preferential treatment or property that would influence, or appear to influence, official duties; and
- Use care and discretion in the handling of confidential information and not disclose or use confidential information for personal gain or private advantage.

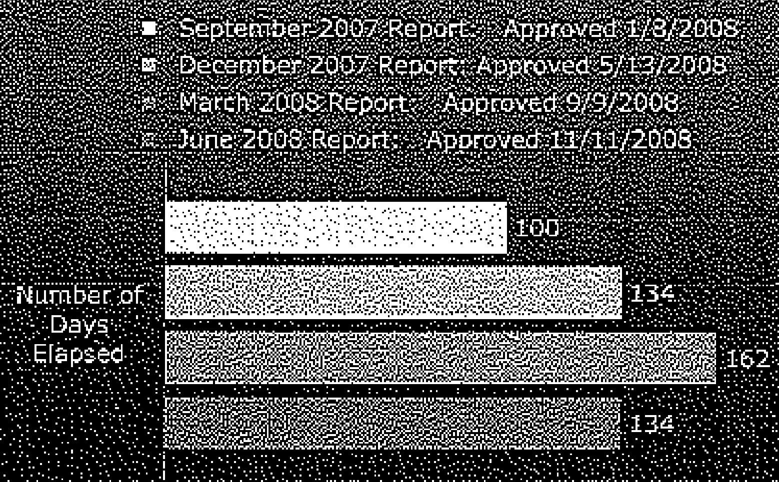
Finding 1C
Investment Benchmarks

- Board Policy provides that the performance measurement objective of the Board's investment portfolio was to exceed the State Board of Administration's Local Government Surplus Trust Fund investment pool (Pool) yield.
- We found that as the commensurate levels of interest rate risk significantly differ between the Pool and the District's investments, the use of the Pool as a benchmark may not provide a reliable measure of the District's investment portfolio's performance.

Finding 1D
Investment Transaction Monitoring

- Our test of 10 investment transactions, including purchases, totaling approximately $91 million, and sales, totaling approximately $100 million, disclosed 6 transactions that did not evidence an independent review by the Chief Business Officer (CBO), and the review by the CBO for the remaining 4 occurred from 3 to 13 days after the transaction date.
- The Manager, in consultation with the Investment Oversight Committee, is responsible for deciding whether the investment is to be sold or retained if the rating of an investment is downgraded to less than the highest quality rating. However, the policy does not specify the timeframe in which such decisions should be made or provide proper oversight and accountability for such transactions.

Finding 1E
Investment Reports Untimely Approved by Board



Finding 1F
Investment Program Cash Flow Projections

- The Manager prepared a cash flow worksheet which projected when cash inflows and outflows would occur for all funds except the agency funds, and investment purchases and sales were based on this worksheet. However, there was no independent review of the worksheet to determine the reasonableness of the District's projected cash needs.

Finding 1G
Investment Program Accounting Controls

- The Manager prepares journal entries to record investment transactions including those relating to interest revenue and fair value adjustments. Although the Manager does not input the entries into the District's accounting system, there was no supervisory review and approval of the journal entries.
- The staff accountant performed monthly and fiscal year-to-date reconciliations of interest earnings and fair value adjustments to the general ledger and the subsidiary ledger maintained by the Manager, but District records did not evidence documentation to support two reconciling items of $75,364 and $206,083, listed on the June 2008 reconciliation and two reconciling items of $253,092 and $206,083, listed on the fiscal year-to-date reconciliation.

Finding 1H
Investment Program Electronic Funds Transfers

- While the Manager, Financial Reporting Analyst, and Accounting Supervisor have the capability to initiate and make electronic funds transfers for all of the District's bank accounts, there was no independent documentation of the transfers from the bank to the District to confirm the transactions, contrary to the requirements of SBE Rule 6A-1.0012, FAC.

Financial Reporting and Bank Reconciliations

SIGNIFICANT DEFICIENCIES

- **Finding No. 2: Improvements are needed in District procedures to ensure that certain accounts and transactions are properly reported on the financial statements.**

- **Finding No. 3: The District's monthly bank reconciliations were inadequate to ensure that the cash and investment assets agreed with the accounting records.**

Separation of Duties and Reconciliation Procedures

ADDITIONAL MATTERS

- Finding No. 4: Procedural improvements are needed in controls over maintenance, warehouse and transportation inventories by adequately separating asset custody and record keeping responsibilities, and limiting access to inventory storage areas.
- Finding No. 5: The District could enhance its controls over vouchering by adequately separating incompatible duties.
- Finding No. 6: Improvements are needed in the District's procedures to reconcile detailed supporting records to the general ledger for certain health plan general ledger accounts.

Capital Assets, Food Service, and Ad Valorem Taxation

- Finding No. 7: The District's accounting procedures for capital outlay and capital asset transactions could be improved.
- Finding No. 8: Procedural enhancements are needed in internal controls to strengthen accountability for a la carte food sales.
- Finding No. 9: The District incurred costs of $1,819,909, from its capital outlay millage funds that were not, of record, allowable under the provisions of Section 1011.71(2), Florida Statutes.

Construction Contracts and Workforce Development

- Finding No. 10: Enhancements could be made in the administration of guaranteed maximum price construction contracts.
- Finding No. 11: The District transferred student fees, totaling $6,157,936, from the workforce development program to an unrestricted account in the General Fund, contrary to guidance from Florida Department of Education.
- Finding No. 12: The District has not returned $3,033,923 to the workforce development program for reimbursement of indirect costs generated during the 2004-05 fiscal year which were incorrectly transferred to an unrestricted account in the General Fund.

SSNs, Background Screenings, and Cell Phone Use

- Finding No. 13: The District did not always provide written statements to individuals stating the purposes for the collection of social security numbers, contrary to Section 119.071(5)(a), FS.
- Finding No. 14: The District did not have adequate procedures for timely obtaining fingerprints and background screenings for instructional and noninstructional staff that have direct contact with students.
- Finding No. 15: The District had not developed and implemented policies and procedures requiring employees to document the business use of cellular telephones.

Monitoring Charter Schools, Architect Insurance, and IT Access

- Finding No. 16: Improvements are needed in the monitoring procedures of charter schools to ensure the adequacy of required insurance coverage.
- Finding No. 17: Enhancements could be made to ensure the adequacy of insurance coverage for work performed by architects.
- Finding No. 18: The District had not implemented procedures for review by management of IT user access accounts.

IT Security, Change, Former Employee Access, Security Awareness, and Disaster Recovery

- Finding No. 19: Improvements needed in the District's information technology (IT) security controls.
- Finding No. 20: The District's IT program change controls needed improvement.
- Finding No. 21: District staff did not remove the IT access privileges of certain former employees in a timely manner.
- Finding No. 22: The District's security awareness training needed improvement.
- Finding No. 23: Improvements needed in testing the District's disaster recovery plan.

Federal Awards

- Federal Awards Finding No. 1: The District used Title I program funds to reduce (supplant) the amount of other moneys used to operate the program, contrary to Federal regulations.

Federal Awards

- Federal Awards Finding No. 2: District records disclosed that 19 hourly teachers, who provided services to eligible private school students, did not meet the requirements to be highly qualified, contrary to Federal regulations.

REPORT NO. 2009-186
MARCH 2009

PINELLAS COUNTY

DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Pinellas County District School Board members and the Superintendents who served during the 2007-08 fiscal year are listed below:

	District No.
Janet R. Clark	*1*
Nancy N. Bostock, Vice-Chair to 11-19-07, Chair from 11-20-07	*2*
Peggy L. O'Shea, Vice-Chair from 11-20-07	*3*
E. Jane Gallucci	*4*
Carol J. Cook	*5*
Linda S. Lerner	*6*
Mary L. Tyus Brown, Chair to 11-19-07	*7*

Dr. Clayton M. Wilcox, Superintendent until 6-3-08
Dr. Julie M. Janssen, Interim Superintendent from 6-4-08

The audit team leader was Brian Werdemiller, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at 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 at 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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PINELLAS COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were fairly presented, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness, and others we consider to be significant deficiencies, as summarized below.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, however, we noted certain additional matters as summarized below.

MATERIAL WEAKNESS

Finding No. 1: Improvements are needed in internal controls over the investment program to strengthen accountability.

SIGNIFICANT DEFICIENCIES

Finding No. 2: Improvements are needed in District procedures to ensure that certain accounts and transactions are properly reported on the financial statements.

Finding No. 3: The District's monthly bank reconciliations were inadequate to ensure that the cash and investment assets agreed with the accounting records.

ADDITIONAL MATTERS

Finding No. 4: Procedural improvements are needed in controls over maintenance, warehouse and transportation inventories by adequately separating asset custody and record keeping responsibilities, and limiting access to inventory storage areas.

Finding No. 5: The District could enhance its controls over vouchering by adequately separating incompatible duties.

Finding No. 6: Improvements are needed in the District's procedures to reconcile detailed supporting records to the general ledger for certain health plan general ledger accounts.

Finding No. 7: The District's accounting procedures for capital outlay and capital asset transactions could be improved.

Finding No. 8: Procedural enhancements are needed in internal controls to strengthen accountability for a la carte food sales.

Finding No. 9: The District incurred costs of $1,819,909, from its capital outlay millage funds that were not, of record, allowable under the provisions of Section 1011.71(2), Florida Statutes.

Finding No. 10: Enhancements could be made in the administration of guaranteed maximum price construction contracts.

Finding No. 11: The District transferred student fees, totaling $6,157,936, from the workforce development program to an unrestricted account in the General Fund, contrary to guidance from Florida Department of Education.

Finding No. 12: The District has not returned $3,033,923 to the workforce development program for reimbursement of indirect costs generated during the 2004-05 fiscal year which were incorrectly transferred to an unrestricted account in the General Fund.

Finding No. 13: The District did not always provide written statements to individuals stating the purposes for the collection of social security numbers, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 14: The District did not have adequate procedures for timely obtaining fingerprints and background screenings for instructional and noninstructional staff that have direct contact with students.

Finding No. 15: The District had not developed and implemented policies and procedures requiring employees to document the business use of cellular telephones.

Finding No. 16: Improvements are needed in the monitoring procedures of charter schools to ensure the adequacy of required insurance coverage.

Finding No. 17: Enhancements could be made to ensure the adequacy of insurance coverage for work performed by architects.

Finding No. 18: The District had not implemented procedures for review by management of user access accounts.

Finding No. 19: Improvements are needed in the District's information technology (IT) security controls.

Finding No. 20: The District's IT program change controls needed improvement.

Finding No. 21: District staff did not remove the IT access privileges of certain former employees in a timely manner.

Finding No. 22: The District's security awareness training needed improvement.

Finding No. 23: Improvements were needed in testing the District's disaster recovery plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Title I 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 compliance and internal control findings that are summarized below.

Federal Awards Finding No. 1: The District used Title I program funds to reduce (supplant) the amount of other moneys used to operate the program, contrary to Federal regulations.

Federal Awards Finding No. 2: District records disclosed that 19 hourly teachers, who provided services to eligible private school students, did not meet the requirements to be highly qualified, contrary to Federal regulations.

Audit Objectives and Scope

Our audit objectives were to determine whether the Pinellas 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 internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic 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 laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

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, 2008. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement 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, 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*.

AUDITOR GENERAL
STATE OF FLORIDA

David W. Martin, CPA
AUDITOR GENERAL

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

850-488-5534
Fax 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pinellas County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed on the table of contents. 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 Pinellas County Education Foundation, Inc., and the District's five charter schools, which represent the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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 Pinellas County District School Board as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 Pinellas County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 3 through 12) and the other required supplementary information (shown as Exhibits - L and M) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *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
March 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Pinellas County District School Board has prepared the following discussion and analysis to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 13 through 50.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- In total, net assets increased $151 million, which represents an 8.5 percent increase from the 2006-07 fiscal year.
- General revenues total $1.1 billion, or 90.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $118.7 million, or 9.9 percent.
- Expenses totaled $1 billion, only $118.7 million of these expenses were offset by program specific charges, with the remainder paid from general revenues.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled $63.4 million at June 30, 2008, or 7.3 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

The major features of the District's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary.	Activities the District provides to other funds. The District's self-insurance program is the only proprietary operation.	Assets held by the District in a trustee or grant capacity such as the internal accounts of the schools.
Required financial statements	Statement of Net Assets and Statement of Activities.	Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balances.	Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows.	Statement of Fiduciary Assets and Liabilities.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents six separate legal entities in this report including Academic Da Vinci Charter School, Inc.; The Athenian Academy Charter School, Inc.; the Pinellas Preparatory Academy, Inc.; Plato Academy; and Life Skills Charter School, Inc.; and Pinellas County Education Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

FUND FINANCIAL STATEMENTS

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains an internal service fund to account for its self-insurance programs, including workers' compensation, general liability, and automobile liability coverage. The District's internal service fund is included within governmental activities in the government-wide financial statements because the services predominately benefit the Districts' governmental activities.

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 agency funds to account for resources held for student activities and groups.

NOTES TO FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

Net Assets, End of Year

	Governmental Activities		Increase	Percentage
	6-30-08	6-30-07	(Decrease)	Change
Current and Other Assets	$ 531,828,850	$ 465,075,041	$ 66,753,809	
Capital Assets, Net	1,663,603,859	1,584,827,629	78,776,230	
Total Assets	2,195,432,709	2,049,902,670	145,530,039	7.1%
Long-Term Liabilities	189,278,522	185,512,868	3,765,654	
Other Liabilities	78,921,762	88,144,702	(9,222,940)	
Total Liabilities	268,200,284	273,657,570	(5,457,286)	-2.0%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,609,333,842	1,529,537,479	79,796,363	
Restricted	351,766,597	280,932,969	70,833,628	
Unrestricted (Deficit)	(33,868,014)	(34,225,348)	357,334	
Total Net Assets	$ 1,927,232,425	$ 1,776,245,100	$ 150,987,325	8.5%

The District's net assets increased 8.5 percent to $1.93 billion. This was attributed to a combination of an increase in total assets and a decrease in total liabilities. The District reported an unrestricted net asset deficit of $33.9 million.

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

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets of $81 million (after exclusion of $110.7 million in compensated absences and $4.2 million in postemployment healthcare benefits payable) may be used to meet the government's ongoing obligations to students, employees and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

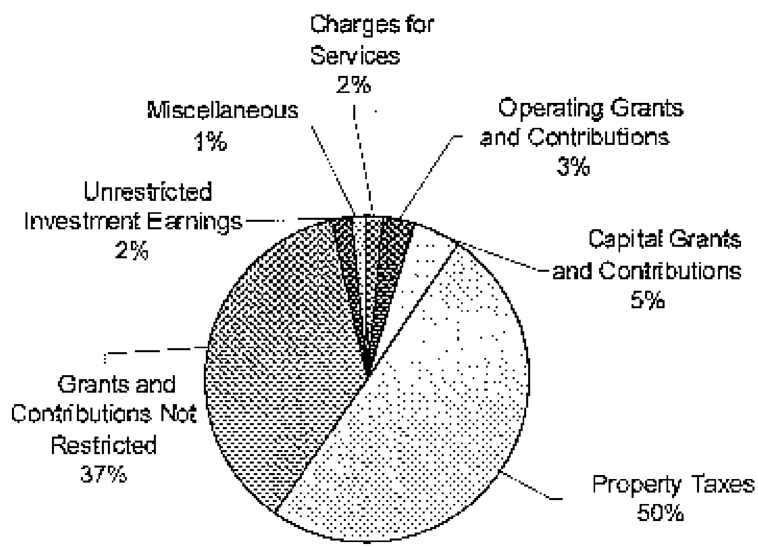
	Operating Results for the Year Governmental Activities	
	2008	2007
Program Revenues:		
Charges for Services	$ 19,552,765	$ 20,769,179
Operating Grants and Contributions	42,083,813	41,586,343
Capital Grants and Contributions	57,111,819	20,675,078
General Revenues:		
Property Taxes	597,463,232	599,802,542
Local Sales Tax		2,986,586
Grants and Contributions Not Restricted to Specific Programs	451,055,804	428,016,477
Unrestricted Investment Earnings	21,424,248	20,436,834
Miscellaneous	10,552,435	10,485,482
Total Revenues	1,199,244,116	1,144,758,521
Function/Program Expenses:		
Instruction	593,834,888	574,592,263
Pupil Personnel Services	42,837,308	41,428,149
Instructional Media Services	13,877,692	13,676,972
Instruction and Curriculum Development Services	28,502,279	34,895,904
Instructional Staff Training Services	13,592,867	7,352,315
Instruction Related Technology	9,293,249	5,804,345
Board of Education	1,318,278	2,328,594
General Administration	8,615,302	9,073,452
School Administration	59,060,348	57,898,750
Facilities Acquisition and Construction	15,027,047	4,326,385
Fiscal Services	4,512,420	4,481,034
Food Services	38,532,769	38,744,447
Central Services	13,827,263	14,283,589
Pupil Transportation Services	46,898,850	48,127,581
Operation of Plant	84,266,631	87,450,569
Maintenance of Plant	25,242,963	23,597,233
Administrative Technology Services	5,451,257	5,102,247
Community Services	2,084,725	1,720,476
Interest on Long-Term Debt	2,558,409	2,017,654
Unallocated Depreciation Expense	38,050,584	37,078,331
Loss on Disposal of Capital Assets	871,662	1,458,576
Total Functions/Program Expenses	1,048,256,791	1,015,438,866
Increase in Net assets	$ 150,987,325	$ 129,319,655

Capital grants and contributions increased $36.4 million. This increase was due to an increase in funding for Class Size Reduction Construction and Classroom for Kids.

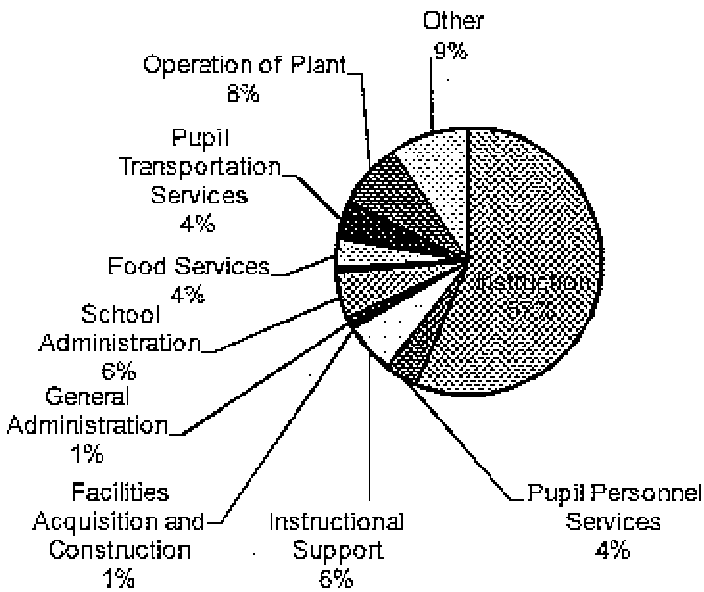
Grants and contributions not restricted to specific programs increased $23 million. Most of this increase was due to increased funding of the categorical for operating Class Size Reduction.

Increases in expenses of $32.8 million were mainly due to average 4.1 and 4.8 percent increases in salary and associated benefits, for noninstructional and instructional employees, respectively, partially offset by a reduction in the number of employees from the prior year.

Revenue by Source – Governmental Activities
Period Ended June 30, 2008



Expenses by Source – Governmental Activities
Period Ended June 30, 2008



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

MAJOR GOVERNMENTAL FUNDS

The District completed the year with a total governmental fund balance of $428 million, an increase of $76.5 million over the 2006-07 fund balance of $351.5 million.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is $63.4 million, while the total fund balance is $81.1 million. The unreserved fund balance increased by $14.8 million, while the total fund balance increased by $17.9 million during the fiscal year, primarily the result of increased State funding of the Class Size Reduction operating categorical.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $271.2 million, all of which is restricted for the acquisition, construction and maintenance of capital assets. The fund balance increased by $17.9 million in the current year, as a result of revenues received in anticipation of impending expenditures to be incurred as a result of construction needs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budgeted revenue exceeded actual revenue by 2.2 percent. This change was due to a decrease in State revenue as a result of a general economic downturn. Appropriations experienced a decrease from their original budget to the final budget. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

By the end of fiscal year 2007-08, the District had invested nearly $2.3 billion in a broad range of capital assets, including buildings; land; and furniture, fixtures, and equipment. This amount represents a net increase of $118.7 million from the prior year. Accumulated depreciation on capital assets totaled $610.8 million.

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

- Asset acquisitions totaled $148.1 million.
- The District disposed of $23.3 million in assets.
- The net change to construction in progress reflected an increase of $61.6 million.
- The District acquired technology assets through capital leases totaling $11.9 million.
- The District recognized depreciation expense of $62.4 million for the year.

Additional information on the District's capital assets can be found in Notes 4 and 15 to the financial statements.

Capital Assets

	6-30-08	6-30-07
Land	$ 97,492,052	$ 93,215,103
Land Improvements - Nondepreciable	22,717,599	22,717,599
Construction in Progress	78,815,522	17,239,442
Improvements Other Than Building	4,687,388	2,147,368
Buildings and Fixed Equipment	1,813,002,456	1,769,062,776
Furniture Fixtures and Equipment	148,884,551	159,092,968
Motor Vehicles	55,275,491	51,081,418
Property Under Capital Leases	38,976,402	27,076,746
Audio Visual Materials and Computer Software	14,594,224	14,150,458
Total Capital Assets	2,274,445,685	2,155,783,878
Accumulated Depreciation	(610,841,826)	(570,956,249)
Total Net Capital Assets	$ 1,663,603,859	$ 1,584,827,629

LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

At June 30, 2008, the District has total long-term debt outstanding of $54.2 million, an increase of 2 percent from the prior year. This amount is comprised of $34.6 million of bonds payable and $19.6 million of capital leases. In addition, the District has implemented the requirements for GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and as a result, has recorded a $4.2 million liability for June 30, 2008. Additional information on the District's long-term liabilities can be found in Notes 5 through 8 and 14 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Due to continued shortfalls in anticipated State tax revenues, the District has been notified by the Florida Department of Education to expect a State revenue shortfall during the 2008-09 fiscal year. The District continues to work with the Board and administrators to contend with the revenues shortfall.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Pinellas 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 Director of Accounting, Pinellas County District School Board, 301 Fourth Street SW, Largo, FL 33770.

BASIC FINANCIAL STATEMENTS

EXHIBIT - A
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash	$ 24,731,950	$ 1,506,031
Investments - Other	399,566,505	9,976,649
Accounts Receivable	8,115,786	4,279,411
Interest Receivable	800,325	
Deposits Receivable	4,754	90,196
Prepaid Items	5,905,095	18,970,611
Due From Other Agencies	86,405,716	11,643
Inventories	5,780,556	
Total Current Assets	529,312,693	34,837,541
Noncurrent Assets:		
Investments in SBA Fund B Surplus Funds Trust Fund	2,516,157	
Capital Assets:		
Nondepreciable Capital Assets	199,025,173	96,636
Depreciable Capital Assets, Net	1,464,578,686	586,327
Total Noncurrent Assets	1,666,120,016	682,963
TOTAL ASSETS	$ 2,195,432,709	$ 35,520,504
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	$ 18,120,732	$ 39,143
Payroll Deductions and Withholdings	29,794,794	
Accounts Payable	7,545,181	1,285,413
Construction Contracts Payable	7,330,343	
Construction Contracts Payable - Retainage	5,729,876	
Due to Other Agencies	9,395,761	
Deferred Revenue	1,996,273	
Long-Term Liabilities -- Portion Due Within One Year:		
Obligations Under Capital Leases	10,880,544	4,335
Bonds Payable	2,285,000	
Note Payable		22,871
Estimated Insurance Claims Payable	4,453,419	
Compensated Absences Payable	10,028,748	
Total Current Liabilities	106,648,613	1,351,762
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Obligations Under Capital Leases	8,730,333	
Bonds Payable	32,355,000	
Note Payable		175,518
Estimated Insurance Claims Payable	15,701,071	
Compensated Absences Payable	100,588,506	
Postemployment Healthcare Benefits Payable	4,176,761	
Total Noncurrent Liabilities	161,551,671	175,518
Total Liabilities	268,200,284	1,527,280
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,609,333,842	504,293
Restricted for:		
State Categorical Programs	4,931,771	
Debt Service	1,194,533	
Capital Projects	334,900,306	
Special Revenue - Food Service Program	10,638,814	
Endowments - Nonexpendable	151,173	3,851,200
Other Purposes		28,568,930
Unrestricted	(33,868,014)	638,801
Total Net Assets	1,927,232,425	33,993,224
TOTAL LIABILITIES AND NET ASSETS	$ 2,195,432,709	$ 35,520,504

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

EXHIBIT - B
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 593,834,668	$ 2,228,144	$	$
Pupil Personnel Services	42,837,308			
Instructional Media Services	13,877,692			
Instruction and Curriculum Development Services	28,502,279			
Instructional Staff Training Services	13,592,567			
Instruction Related Technology	9,293,249			
Board of Education	1,318,278			
General Administration	8,615,302			
School Administration	59,060,345			
Facilities Acquisition and Construction	15,027,047			53,297,606
Fiscal Services	4,512,420			
Food Services	36,532,769	14,930,570	21,359,057	
Central Services	13,827,263			
Pupil Transportation Services	46,898,850	2,394,051	20,724,756	
Operation of Plant	84,266,631			
Maintenance of Plant	25,242,963			
Administrative Technology Services	5,451,257			
Community Services	2,084,725			
Interest on Long-Term Debt	2,558,409			3,814,213
Unallocated Depreciation Expense	38,050,584			
Loss on Disposal of Capital Assets	671,662			
Total Primary Government	$ 1,048,256,791	$ 19,552,765	$ 42,083,813	$ 57,111,819
Component Units				
Pinellas County Education Foundation, Inc.	$ 6,611,779	$ 139,353	$ 110,943	$ 345,552
Charter Schools	7,547,667			
Total Component Units	$ 14,159,446	$ 139,353	$ 110,943	$ 345,552

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Special Items:
Donated Goods and Services

Total General Revenues and Special Items

Change in Net Assets

Net Assets - July 1, 2007

Net Assets - June 30, 2008

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Component Units
$ (591,606,744)	$
(42,837,308)	
(15,877,592)	
(25,502,279)	
(13,592,867)	
(9,293,249)	
(1,318,278)	
(8,615,302)	
(59,060,348)	
36,270,559	
(4,512,420)	
(2,243,142)	
(13,827,263)	
(23,760,043)	
(84,255,631)	
(25,242,963)	
(5,451,257)	
(2,084,725)	
1,255,804	
(38,050,584)	
(871,662)	
(929,508,394)	
	(6,014,931)
	(7,547,667)
	(13,562,598)
454,487,343	
142,975,889	
451,055,804	13,699,151
21,424,248	5,662
10,552,435	366,762
	249,451
1,080,495,719	14,321,026
150,987,325	758,428
1,776,245,100	33,234,796
$ 1,927,232,425	$ 33,993,224

EXHIBIT - C
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Capital Projects - Local Capital Improvement Fund
ASSETS		
Cash	$ 24,494,945	$
Investments - Other	50,794,918	294,289,912
Accounts Receivable	382,706	
Interest Receivable	628,631	101,328
Deposits Receivable	4,754	
Prepaid Items	5,905,094	
Due from Other Funds	28,098,860	5,009,817
Due from Other Agencies	22,256,310	6,753,319
Inventories	4,620,073	
Investments in SBA Fund B Surplus Funds Trust Fund	2,516,157	
TOTAL ASSETS	$ 149,702,448	$ 306,154,376
LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	$ 18,129,732	$
Payroll Deductions and Withholdings	26,639,818	
Accounts Payable	2,602,848	3,090,916
Construction Contracts Payable		5,978,596
Construction Contracts Payable - Retainage	621	4,805,577
Due to Other Funds	10,975,747	21,060,161
Due to Other Agencies	8,672,918	
Deferred Revenue	1,551,349	
Total Liabilities	68,573,033	34,935,250
Fund Balances:		
Reserved for State Categorical Programs	4,931,771	
Reserved for Encumbrances	8,150,163	60,700,891
Reserved for Inventories	4,620,073	
Reserved for Debt Service		
Reserved for Endowments		
Unreserved, Reported in:		
General Fund	63,427,408	
Special Revenue Funds		
Capital Projects Funds		210,518,235
Total Fund Balances	81,129,415	271,219,126
TOTAL LIABILITIES AND FUND BALANCES	$ 149,702,448	$ 306,154,376

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

EXHIBIT - C

Other Governmental Funds	Total Governmental Funds
$ 34,380	$ 24,529,325
22,108,074	377,192,904
4,287,781	4,670,487
31,494	751,453
	4,754
2	5,905,096
1,079,627	34,188,304
57,396,087	86,405,716
1,160,485	5,780,558
	2,516,157
$ 86,097,930	$ 541,954,754
$	$ 18,129,732
2,154,976	28,794,794
1,521,675	7,215,639
1,351,747	7,330,343
923,480	5,729,678
3,362,385	35,398,293
722,843	9,395,761
444,924	1,996,273
10,482,230	113,990,513
	4,931,771
8,474,132	77,325,186
1,160,485	5,780,558
1,184,533	1,184,533
151,173	151,173
	63,427,408
7,411,248	7,411,248
57,234,129	267,752,364
75,615,700	427,964,241
$ 86,097,930	$ 541,954,754

EXHIBIT - D
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Governmental Funds		$ 427,984,241
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.		1,663,603,859
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.		4,768,357
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:		
Obligations Under Capital Leases	$ 19,630,017	
Bonds Payable	34,640,000	
Compensated Absences Payable	110,677,254	
Postemployment Healthcare Benefits Payable	4,176,761	(169,124,032)
Total Net Assets - Governmental Activities		$ 1,927,232,425

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

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EXHIBIT - E
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund	Capital Projects - Local Capital Improvement Fund
Revenues		
Intergovernmental:		
Federal Direct	$ 306,909	$
Federal Through State and Local	1,282,422	
State	396,097,063	
Local:		
Taxes	454,487,343	142,975,889
Miscellaneous	19,593,909	13,540,389
Total Revenues	871,767,646	156,516,278
Expenditures		
Current - Education:		
Instruction	546,843,718	
Pupil Personnel Services	35,823,199	
Instructional Media Services	13,135,593	
Instruction and Curriculum Development Services	11,445,708	
Instructional Staff Training Services	5,183,277	
Instruction Related Technology	1,922,524	
Board of Education	2,023,635	
General Administration	5,576,947	
School Administration	58,386,263	
Facilities Acquisition and Construction	871,545	3,353,410
Fiscal Services	4,411,853	
Food Services	110,951	
Central Services	12,879,377	
Pupil Transportation Services	45,188,377	
Operation of Plant	83,621,084	
Maintenance of Plant	24,987,886	
Administrative Technology Services	5,382,716	
Community Services	1,095,919	
Fixed Capital Outlay:		
Facilities Acquisition and Construction	467,344	112,144,589
Other Capital Outlay	4,808,306	10,947,684
Debt Service:		
Principal	1,484,135	9,410,624
Interest and Fiscal Charges	159,050	560,006
Total Expenditures	868,792,417	136,416,322
Excess of Revenues Over Expenditures	2,975,229	20,099,956
Other Financing Sources (Uses)		
Transfers In	13,744,951	
Obligations Under Capital Leases	951,972	10,947,684
Insurance Loss Recoveries	243,103	
Transfers Out		(13,103,343)
Total Other Financing Sources (Uses)	14,940,026	(2,155,659)
Net Change in Fund Balances	17,915,255	17,944,297
Fund Balances, July 1, 2007	63,214,160	253,274,829
Fund Balances, June 30, 2008	$ 81,129,415	$ 271,219,126

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

EXHIBIT - E

Other Governmental Funds	Total Governmental Funds
$ 3,684,021	$ 4,190,930
90,194,582	91,478,954
58,466,460	454,583,523
	597,463,232
16,906,556	50,040,854
169,471,599	1,197,755,523
35,839,707	583,683,425
5,567,206	42,390,405
511,764	13,550,357
15,607,932	28,053,640
7,259,278	13,422,555
77,814	2,000,338
	2,023,635
1,891,809	8,458,753
129,619	59,512,892
121,038	4,346,000
43,825	4,455,688
37,778,556	37,889,517
685,578	13,564,953
22,669	46,211,046
117,183	83,738,247
	24,957,666
21,638	5,404,354
954,975	2,050,697
12,580,031	125,191,934
2,150,491	17,908,481
2,025,000	12,919,759
1,839,353	2,558,409
128,212,462	1,133,421,201
41,259,137	64,334,322
	13,744,951
	11,899,858
	243,103
(641,608)	(13,744,951)
(641,608)	12,142,759
40,617,529	76,477,081
34,998,171	351,487,160
$ 75,615,700	$ 427,964,241

EXHIBIT - F
PINELLAS 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, 2008

Net Change in Fund Balances - Governmental Funds	$	76,477,081
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.		79,847,891
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(871,562)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.		1,020,133
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.		(3,076,016)
The net changes in the liability for postemployment healthcare benefits is reported in the government-wide statements, but not in the governmental funds statements.		(4,176,761)
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.		1,986,559
Change in Net Assets - Governmental Activities	$	150,987,325

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

EXHIBIT - G
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2008

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash	$	202,625
Investments		22,375,104
Accounts Receivable		437,346
Interest Receivable		39,372
Due from Other Funds		2,148,125
TOTAL ASSETS	$	25,202,572
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	257,134
Due to Other Funds		2,591
Estimated Insurance Claims Payable		4,453,419
Total Current Liabilities		4,713,144
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		15,701,071
Total Liabilities		20,414,215
NET ASSETS		
Unrestricted		4,788,357
TOTAL LIABILITIES AND NET ASSETS	$	25,202,572

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

EXHIBIT - H
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2008

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	$ 4,988,202
OPERATING EXPENSES	
Insurance Claims	4,112,278
Other Expenses	154,754
Total Operating Expenses	4,267,032
Operating Income	721,170
NONOPERATING REVENUES	
Interest	1,245,489
Change in Net Assets	1,966,659
Total Net Assets, July 1, 2007	2,821,698
Total Net Assets, June 30, 2008	$ 4,788,357

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

EXHIBIT - I
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2008

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds	$ 2,394,853
Cash Payments for Insurance Claims and Fees	(6,579,268)
Net Cash Used by Operating Activities	(4,184,415)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,403,390
Interest Received	1,245,489
Purchase of Investments	(2,396,520)
Net Cash Provided by Investing Activities	4,252,359
Net Increase in Cash	67,944
Cash, Beginning	134,681
Cash, Ending	$ 202,625

Reconciliation of Operating Income to Net Cash Used by Operating Activities:

Operating Income	$ 721,170
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes In Assets and Liabilities:	
Decrease in Accounts Receivable	124,107
Increase in Interest Receivable	(39,372)
Decrease in Due From Other Funds	3,573,042
Increase in Accounts Payable	154,754
Decrease in Due To Other Funds	(6,251,126)
Decrease in Estimated Insurance Claims Payable	(2,466,990)
Total Adjustments	(4,905,585)
Net Cash Used by Operating Activities	$ (4,184,415)

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

EXHIBIT - J
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2008

		Agency Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	7,333,814
Accounts Receivable		369,410
Interest Receivable		3,988
Due from Other Funds		72,408
TOTAL ASSETS	$	7,779,620
LIABILITIES		
Accounts Payable	$	69,573
Due to Other Funds		1,007,953
Due to Other Agencies		24,037
Internal Accounts Payable		6,678,057
TOTAL LIABILITIES	$	7,779,620

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

EXHIBIT – K
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 Pinellas County School District is considered part of the Florida system of public education. The governing body of the school district is the Pinellas County District School Board which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Pinellas County.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

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

- Discretely Presented Component Units. The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the District's component units. These component units consist of the Pinellas County Education Foundation, Inc., and the following five charter schools: Academie Da Vinci Charter School, Inc.; The Athenian Academy Charter School, Inc.; the Pinellas Preparatory Academy, Inc.; Plato Academy; and Life Skills Charter School, Inc.

  The Pinellas County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest and administer property and to make expenditures to or for the benefit of the District. Because of the nature and significance of its relationship with the School Board, the Foundation is considered a component unit. An annual audit of the Foundation's financial statements is conducted by an independent certified public accountant and is filed in the District's administrative office.

  The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Pinellas County District School Board and are considered component units of the District because they are fiscally dependent on the District to levy taxes. Audits of the charter schools' financial statements were conducted by independent certified public accountants and are filed in the District's administrative office.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➢ **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. Depreciation expenses, which can be associated with a specific program or activity, are allocated to the related function, while remaining depreciation expense is reported as unallocated.

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's individual self-insurance programs.

- Agency Funds - to account for resources of the school internal funds, which are used to administer moneys, collected at several schools in connection with school, student athletic, class, and club activities.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

- **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 fund 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 21 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.

Proprietary Funds are accounted for as proprietary activities 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. The principal operating revenues of the District's internal service fund are charges to the District for workers' compensation, general liability, and automobile insurance premiums. Operating expenses include insurance claims and administrative expenses and fees. 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.

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

The Pinellas County Education Foundation, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

- **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. The statement of cash flows considers cash as those accounts used as demand deposit accounts.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund (Fund B).

The local investments operate under the guidelines established by Section 218.415, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Funds, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Investments made locally consist of obligations of United States Government Agencies and Instrumentalities, domestic bonds and notes, commercial paper, bond mutual funds, and money market 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 on a moving average basis, except the 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 when purchased.

➢ **Capital Assets**

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

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

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

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Description	Estimated Lives
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	4 - 12 years
Audio Visual Materials and Computer Software	5 - 10 years
Property Under Capital Leases	3 - 12 years

Current-year information relative to changes in capital assets is described in a subsequent note.

- **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets.

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

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

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

- **State Revenue Sources**

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 allocations under the Classrooms for Kids and Class Size Reduction Construction Programs. 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 Pinellas County Property Appraiser, and property taxes are collected by the Pinellas County Tax Collector.

The School Board adopted the 2008 tax levy on September 10, 2007. 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 a lien on the property on January 1, and are 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 Pinellas County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds, except that no budget appropriation is made for capital leases in the year of inception.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

3. INVESTMENTS

As of June 30, 2008, the District has the following investments and maturities:

Investment	Fair Value	Six Months or Less	Greater than Six Months to Two Years	Greater than Two Years to Four Years	Greater than Four Years to Six Years	Greater than Six Years
State Board of Administration:						
Local Government Surplus Funds Trust Fund Investment Pool (3)	$ 17,628,769	$ 17,628,769	$	$	$	$
Fund B Surplus Funds Trust Fund	2,516,157					2,516,157
Debt Service Accounts	112,119	112,119				
Money Market Funds:						
Evergreen Treasury Institutional	48,240	48,240				
Morgan Stanley Prime Portfolio	5,001,806	5,001,806				
The Core Fund Short-Term United States Government Bond Fund	34,517,734		34,517,734			
Commercial Paper (2)	9,809,801	9,809,801				
Obligations of United States Government Agencies and Instrumentalities:						
Bonds and Notes (1)	40,389,396	40,389,396				
Collateralized Mortgage Obligations (1)	107,663,252	13,350,463	5,400,978	13,638,136	46,519,763	28,704,922
Collateralized Mortgage Obligations - Floating Rates (1)	98,629,057		27,990,671	70,638,386		
Mortgage-backed (1)	343,644		343,644			
Domestic Bonds and Notes:						
Non-government Asset Backed (1)	57,514,180	31,730,576	25,783,604			
Corporate (4)	17,815,000					17,815,000
Municipal (2)	6,095,000					6,095,000
Total Investments, Primary Government	$ 402,084,105	$ 118,090,270	$ 94,036,631	$ 84,276,522	$ 46,519,763	$ 55,131,079

Notes: (1) The District used the effective duration method to determine maturities for these investments.
(2) The District used the modified duration method to determine maturities for these investments.
(3) At June 30, 2008, certain significant withdrawals from the Local Government Surplus Trust Fund Investment Pool may be subject to a 2 percent redemption fee by the State Board of Administration.
(4) The District used the modified duration method to determine maturities for $6,475,000 of these investments and used the effective duration method to determine maturities for the remaining $11,340,000 of these investments.

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's investment policy states that the weighted average duration of the investment portfolio shall not exceed five years.

- The maturity of the State Board of Administration Local Government Investment Pool is based on the weighted average of days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

- The District has $217,183,262 in obligations of United States Government Agencies and Instrumentalities and $61,514,180 in obligations of nongovernment asset-backed securities that include embedded options consisting of the options at the discretion of the issuers or debtors to call their obligations. These securities have various call dates and mature between July 2008 and October 2017 (modified duration maturity dates).

Credit Risk

District policies allow for investments in:

- Direct obligations of the United States Treasury, obligations of Federal agencies, government sponsored enterprises, and instrumentalities. As of June 30, 2008, the District's investment portfolio included these types of securities with a total fair market value of $247,025,359. At June 30, 2008, bonds and notes totaling $10,547,300 were rated AAA by Standard & Poor's. The collateralized mortgage obligations, mortgage-backed securities, and $29,842,096 of the bonds and notes were unrated.

- Asset-backed securities when either the underlying asset is guaranteed by the issuer or the security carries the highest quality rating by a nationally recognized rating agency. As of June 30, 2008, the District's investment portfolio included asset-backed securities with a total fair market value of $61,514,180. These securities were rated Aaa by Moody's Investors Service or AAA by Standard & Poor's, except for one security totaling $1,588,884. This security was rated AA by Standard & Poor's. However, at the time of purchase in December 2007, the security was rated AAA by Standard & Poor's.

- Short-term obligations commonly referred to as "money market instruments", including but not limited to commercial paper, provided such obligations carry the highest credit rating from a nationally recognized rating agency. Investments in commercial paper at June 30, 2008, with a fair value of $9,809,801 were not rated. District policy allows securities to be purchased that do not meet the above criteria provided the security does not exceed 5 percent of the total value of investments on the settlement date of the investment.

- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. At June 30, 2008, the District had investments in the Evergreen Institutional Treasury Money Market Fund with a fair value of $48,240 and Morgan Stanley Institutional Prime Portfolio Money Market Fund with a fair value of $5,001,806. Both funds were rated AAAm by Standard & Poor's.

- Securities in open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940. The District had investments with a fair value of $34,517,734 in the Core Fund at June 30, 2008. The Core Fund is a short-term United States Government bond fund. This fund was rated AAAf/S1+ by Standard & Poor's.

- Securities that do not fall within the above categories provided the invested values of these securities do not exceed 5 percent of the total value of Board funds on the settlement date of the investment. The District had investments in corporate and municipal bonds totaling $23,910,000 at June 30, 2008, that fell within this category. The municipal bonds, totaling $6,095,000, and one

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

corporate bond issue for $1,600,000 were rated A by Fitch. The remaining corporate bonds were unrated.

- The District's investments in the State Board of Administration Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

- As of June 30, 2008, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is AAAm by Standard & Poor's. The Fund B Surplus Funds Trust Fund is unrated.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in 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 investment policy addresses custodial risk in that all securities shall be properly designated as an asset of the School Board of Pinellas County, Florida and held in safe-keeping by a third party custodian.

- The District's investments totaling $342,259,340 in obligations of United States Government Agencies and Instrumentalities, commercial paper, and domestic bonds and notes are held by the District's custodial agent in the name of the District.

Concentration of Credit Risk

- The District's investment policy does not limit the amount the District may invest in any one issuer.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 93,215,103	$ 4,276,949	$	$ 97,492,052
Land Improvements - Nondepreciable	22,717,599			22,717,599
Construction in Progress	17,239,442	67,675,509	6,099,429	78,815,522
Total Capital Assets Not Being Depreciated	133,172,144	71,952,458	6,099,429	199,025,173
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,147,368	2,540,020		4,687,388
Buildings and Fixed Equipment	1,769,062,776	43,939,680		1,813,002,456
Furniture, Fixtures, and Equipment	159,092,968	9,824,624	20,033,041	148,884,551
Motor Vehicles	51,081,418	6,185,194	1,991,121	55,275,491
Property Under Capital Leases	27,076,746	11,899,656		38,976,402
Audio Visual Materials and Computer Software	14,150,458	1,763,049	1,319,283	14,594,224
Total Capital Assets Being Depreciated	2,022,611,734	76,152,223	23,343,445	2,075,420,512
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	143,158	312,495		455,653
Buildings and Fixed Equipment	414,375,945	36,351,796		450,727,741
Furniture, Fixtures, and Equipment	110,165,076	13,208,851	19,933,450	103,440,477
Motor Vehicles	29,572,756	3,714,160	1,516,301	31,770,615
Property Under Capital Leases	6,411,923	7,492,006		13,903,929
Audio Visual Materials and Computer Software	10,287,391	1,278,052	1,022,032	10,543,411
Total Accumulated Depreciation	570,956,249	62,357,360	22,471,783	610,841,826
Total Capital Assets Being Depreciated, Net	1,451,655,485	13,794,863	871,662	1,464,578,686
Governmental Activities Capital Assets, Net	$ 1,584,827,629	$ 85,747,321	$ 6,971,091	$ 1,663,603,859

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

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 5,533,155
Pupil Personnel Services	95,201
Instructional Media Services	118,443
Instruction and Curriculum Development Services	223,669
Instructional Staff Training Services	70,536
Instruction Related Technology	7,276,941
Board of Education	4,207
General Administration	98,209
School Administration	66,579
Facilities Acquisition and Construction	9,581,510
Fiscal Services	22,095
Food Services	433,262
Central Services	167,510
Pupil Transportation Services	364,250
Operation of Plant	93,420
Maintenance of Plant	124,041
Administrative Technology Services	9,471
Community Services	24,277
Unallocated	38,050,584
Total Depreciation Expense - Governmental Activities	$ 62,357,360

5. OBLIGATIONS UNDER CAPITAL LEASES

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

	Asset Balance
Data Processing Equipment	$ 35,863,552
Buses	3,112,850
Total	$ 38,976,402

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

Fiscal Year Ending June 30	Total	Principal	Interest
2009	$ 11,755,763	$ 10,899,684	$ 856,079
2010	6,642,272	6,268,900	373,372
2011	1,816,538	1,720,707	95,831
2012	402,438	379,688	22,750
2013	370,352	361,038	9,314
Total Minimum Lease Payments	$ 20,987,363	$ 19,630,017	$ 1,357,346

The imputed interest rates are 3.43 percent on the bus leases and range from 4.04 to 7.69 percent on the data processing equipment.

6. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2000A	$ 4,240,000	5.000 - 5.125	2010
Series 2001A	355,000	4.2 - 5.0	2021
Series 2005B, Refunding	30,045,000	5.0	2020
Total Bonds Payable	$ 34,640,000		

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

State School Bonds

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

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2009	$ 4,018,430	$ 2,285,000	$ 1,733,430
2010	4,019,700	2,400,000	1,619,700
2011	4,027,138	2,530,000	1,497,138
2012	4,020,919	2,650,000	1,370,919
2013	4,018,594	2,780,000	1,238,594
2014-2018	20,016,682	16,045,000	3,971,682
2019-2021	6,400,750	5,950,000	450,750
Total State School Bonds	$ 46,522,193	$ 34,640,000	$ 11,882,193

7. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 2000A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for future debt service payments on the old State School Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2008, State School Bonds, Series 2000A, totaling $30,400,000 are considered defeased in substance.

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Leases	$ 18,625,150	$ 11,899,656	$ 10,894,789	$ 19,630,017	$ 10,899,664
Bonds Payable	36,665,000		2,025,000	34,640,000	2,285,000
Estimated Insurance Claims Payable	22,621,480	2,401,792	4,868,782	20,154,490	4,453,419
Compensated Absences Payable	107,601,238	13,005,037	9,929,021	110,677,254	10,088,748
Postemployment Healthcare Benefits Payable		6,880,682	2,703,921	4,176,761	
Total Governmental Activities	$ 185,512,868	$ 34,187,167	$ 30,421,513	$ 189,278,522	$ 27,726,831

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

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 28,098,860	$ 10,975,747
Capital Projects:		
Local Capital Improvement	5,009,817	21,060,161
Nonmajor Governmental	1,079,627	3,362,385
Internal Service	2,148,125	2,591
Fiduciary	72,408	1,007,953
Total	$ 36,408,837	$ 36,408,837

Interfund balances are a result of expenditures, such as warehouse delivery charges, central printing, and maintenance work orders, which were made by one fund for another fund, and will be repaid within 12 months, as well as reclassifications of expenditures between capital project funds, and short term cash flow borrowing. All balances are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 13,744,951	$
Capital Projects:		
Local Capital Improvement		13,103,343
Nonmajor Governmental		641,608
Total	$ 13,744,951	$ 13,744,951

A $6,136,930 transfer made from the Capital Projects -- Local Capital Improvement Fund was to cover capital outlay expenditures that were incurred in the General Fund. A $6,966,413 transfer made from the Capital Projects – Local Capital Improvement Fund was to cover property liability insurance expenditures that were incurred in the General Fund. The $641,608 transfer from the Nonmajor Governmental Fund to the General Fund was to cover capital outlay disbursements to the charter schools.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
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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 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

Source	Amount
Florida Education Finance Program	$ 206,562,099
Categorical Educational Programs:	
Class Size Reduction	108,174,801
Transportation	20,724,756
Instructional Materials	10,751,609
Florida School Recognition Program	5,361,151
Florida Teachers Lead Program	1,961,147
Other	5,392,615
Workforce Development Program	27,341,617
Class Size Reduction Construction	25,278,213
Gross Receipts Tax (Public Education Capital Outlay)	16,406,925
Classroom for Kids	10,769,113
Discretionary Lottery Funds	5,301,632
Motor Vehicle License Tax (Capital Outlay and Debt Service)	4,657,568
Mobile Home License Tax	601,805
Adults with Disabilities	591,086
Food Service Supplement	566,456
Charter School Capital Outlay	541,608
Miscellaneous	3,499,322
Total	$ 454,583,523

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

EXHIBIT - K (Continued)
PINELLAS COUNTY
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June 30, 2008

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.730	$ 378,880,018
Basic Discretionary Local Effort	0.510	40,851,756
Supplemental Discretionary Local Effort	0.141	11,294,309
Voted Tax:		
Local Referendum	0.500	40,050,742
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.850	148,187,745
Total	7.731	$ 619,264,570

13. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS 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. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Benefits in the Plan vest at six years of service. All vested 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 except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. The Plan also includes an early retirement provision;

EXHIBIT - K (Continued)
PINELLAS COUNTY
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however, there is a benefit reduction 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.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular, Special Risk, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 1,770 District participants during the 2007-08 fiscal year. Required employer contributions made to PEORP totaled $5,808,490.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Class	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
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. 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 in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled $44,583,126, $57,549,506, and $53,807,215, respectively, which were equal to the required contributions for each fiscal year.

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

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2007-08 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of $66,384,568 at the July 1, 2007, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
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June 30, 2008

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District's fully insured group health plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Health Care Benefits Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System (PERS) or another entity.

Funding Policy. For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 876 retirees and 301 eligible dependents received postemployment healthcare benefits. The District provided required contributions of $2,703,921 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling $5,464,479.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Description	Amount
Normal Cost (service cost for one year)	$ 4,245,123
Amortization of Unfunded Actuarial Accrued Liability	2,370,917
Interest on Normal Cost and Amortization	264,642
Annual Required Contribution	6,880,682
Annual OPEB Cost (Expense)	6,880,682
Contribution Toward the OPEB Cost	(2,703,921)
Increase in Net OPEB Obligation	4,176,761
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	$ 4,176,761

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (first year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/07	$		$
2007-08	6,880,682	39.3%	4,176,761

Funded Status and Funding Progress. As of July 1, 2006, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $66,384,568, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $66,384,568, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $620,152,815, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment and termination, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's initial OPEB actuarial valuation as of July 1, 2006, used the entry age actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a salary scale of 4.5 percent per year, payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 11.5 percent initially for the 2007-08 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5.5 percent for fiscal year ending June 30, 2014. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 29 years.

15. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Boca Ciega High School:			
Architect	$ 4,861,937	$ 3,176,285	$ 1,685,652
Contractor	39,518,890	2,583,457	36,935,433
Curtis Fundamental School:			
Architect	1,296,444	1,136,474	159,970
Contractor	12,157,960	8,178,181	3,979,779
Tarpon Springs Elementary School:			
Architect	989,397	924,252	65,145
Contractor	24,634,167	22,759,888	1,874,279
Tyrone Elementary School:			
Architect	1,359,545	1,183,508	176,037
Contractor	26,723,861	20,588,607	6,135,254
Total	$ 111,542,201	$ 60,530,652	$ 51,011,549

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

16. 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. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A liability in the amount of $20,154,490 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2008.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	$ 22,978,072	$ 4,870,456	$ (5,227,048)	$ 22,621,480
2007-08	22,621,480	4,112,278	(6,579,268)	20,154,490

Property protection, boiler and machinery, errors and omissions, employment practices liabilities, employee dishonesty, and other coverages deemed necessary by the Board are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. In addition, health and hospitalization, dental, life, and income protection coverages for District employees are being offered through purchased commercial insurance.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

EXHIBIT - K (Continued)
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

17. LITIGATION

The Board is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the Board's legal counsel and management, should not materially affect the Board's financial position.

18. SUBSEQUENT EVENTS

The financial markets experienced significant volatility subsequent to fiscal year-end due to the credit market crisis and concerns about global recession and other market factors. Due to this, the mortgage-backed securities market became very illiquid. The District sold six collateralized mortgage obligations and collateralized mortgage obligations – floating rate securities with a book value of $110,305,154 between August and December 2008 at realized losses totaling $5,039,685. At December 31, 2008, the District's investment portfolio totaled $480,087,306.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT - L
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 185,000	$ 306,909	$ 306,909	$
Federal Through State and Local	2,300,000	1,282,422	1,282,422	
State	419,117,184	396,097,063	396,097,063	
Local:				
Taxes	447,916,101	454,487,343	454,487,343	
Miscellaneous	22,381,715	19,596,302	19,593,859	(2,443)
Total Revenues	891,600,000	871,770,089	871,767,646	(2,443)
Expenditures				
Current - Education:				
Instruction	560,385,772	550,285,627	546,843,718	3,441,909
Pupil Personnel Services	36,769,946	36,637,913	35,823,199	814,714
Instructional Media Services	13,434,804	13,280,561	13,138,493	142,068
Instruction and Curriculum Development Services	13,948,327	11,599,125	11,445,708	153,417
Instructional Staff Training Services	3,410,291	6,413,259	6,163,277	249,982
Instruction Related Technology	401,587	1,956,593	1,922,534	34,059
Board of Education	2,994,200	2,050,880	2,023,635	27,245
General Administration	6,242,962	6,629,538	6,576,947	52,591
School Administration	53,882,767	53,849,010	53,386,263	462,747
Facilities Acquisition and Construction	1,123,037	893,134	871,545	21,589
Fiscal Services	4,552,195	4,476,208	4,411,863	64,345
Food Services		115,259	110,961	4,298
Central Services	13,494,859	13,191,481	12,879,377	312,104
Pupil Transportation Services	45,533,793	46,428,204	46,188,377	239,827
Operation of Plant	86,472,329	83,877,552	83,621,064	256,488
Maintenance of Plant	24,275,064	26,244,380	24,987,866	1,256,514
Administrative Technology Services	5,307,773	5,483,989	5,382,716	101,273
Community Services	834,023	1,099,358	1,095,918	3,440
Fixed Capital Outlay:				
Facilities Acquisition and Construction		467,344	467,344	
Other Capital Outlay		3,856,334	4,808,306	(951,972)
Debt Service:				
Principal	1,029,391	2,158,471	1,484,165	674,306
Interest and Fiscal Charges			159,050	(159,050)
Total Expenditures	883,922,160	875,994,740	868,792,417	7,202,323
Excess (Deficiency) of Revenues Over Expenditures	7,677,840	(4,224,651)	2,975,229	7,199,880
Other Financing Sources				
Transfers In	5,000,000	13,744,951	13,744,951	
Obligations Under Capital Leases			951,972	951,972
Insurance Loss Recoveries	500,000	243,103	243,103	
Total Other Financing Sources	5,500,000	13,988,054	14,940,026	951,972
Net Change in Fund Balances	13,177,840	9,763,403	17,915,255	8,151,852
Fund Balances, July 1, 2007	69,522,160	63,214,160	63,214,160	
Fund Balances, June 30, 2008	$ 82,700,000	$ 72,977,563	$ 81,129,415	$ 8,151,852

EXHIBIT - M
PINELLAS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

1. EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations for the following individual funds:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
Fixed Capital Outlay:			
Other Capital Outlay	$ 3,856,334	$4,808,306	$ (951,972)
Debt Service:			
Interest and Fiscal Charges		159,050	(159,050)

2. GAAP TO BUDGET COMPARISON

Budgets are adopted on a basis consistent with generally accepted accounting principles except that generally accepted accounting principles for capital leases require the recording of a capital outlay expenditure and a corresponding financing resource in the current period; whereas, budget basis accounting requires appropriations in the current and future periods only to the extent of the annual capital lease payments.

	General Fund	
	Expenditures - Fixed Capital Outlay: Other Capital Outlay	Other Financing Sources (Uses)
Generally Accepted Accounting Principles	$ 4,808,306	$ 951,972
Adjustment for Capital Leases	(951,972)	(951,972)
Budget Basis, Exhibit L	$ 3,856,334	$

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PINELLAS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	$ 3,758,446
National School Lunch Program	10.555	300	15,208,814
Summer Food Service Program for Children	10.559	323	170,321
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	1,595,220
Total United States Department of Agriculture			20,732,802
United States Department of Labor:			
Indirect:			
WorkNet Pinellas, Inc.			
WIA Youth Activities	17.259	None	43,900
Total United States Department of Labor			43,900
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	736,413
Magnet Schools Assistance	84.165	N/A	799,919
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	238,556
Fund for the Improvement of Education	84.215	N/A	1,690,571
Foreign Language Assistance	84.293	N/A	156,120
Advanced Placement Program	84.330	N/A	510,025
Total Direct			4,122,295
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	27,226,927
Special Education - Preschool Grants	84.173	258, 267	776,702
Washington County District School Board:			
Special Education - Grants to States	84.027	None	1,000
Total Special Education Cluster			28,077,315
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	1,588,624
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	25,649,963
Title I Program for Neglected and Delinquent Children	84.013	220	331,975
Career and Technical Education - Basic Grants to States	84.048	151	1,404,075
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	526,105
Education for Homeless Children and Youth	84.196	177	118,965
Even Start - State Educational Agencies	84.213	210	297,456
Charter Schools	84.282	280	32,257
State Grants for Innovative Programs	84.298	112	152,647
Education Technology State Grants	84.318	121, 122	219,321
Comprehensive School Reform Demonstration	84.332	128	12,000
Reading First State Grants	84.357	21	2,508,501
Voluntary Public School Choice	84.361	225	9,961
English Language Acquisition Grants	84.365	102	405,564
Improving Teacher Quality State Grants	84.367	224, 225	5,182,225
Washington County District School Board:			
Reading First State Grants	84.357	None	18,520
Total Indirect			40,097,534
Total United States Department of Education			77,226,905
United States Department of Health and Human Services:			
Indirect:			
Florida Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283 (3)	None	332,012
Florida Department of Children and Families:			
Refugee and Entrant Assistance - State Administered Programs	93.566	None	628,298
Total United States Department of Health and Human Services			960,310
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	284	634
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	101,424
Marine Corps Junior Reserve Officers Training Corps	None	N/A	81,709
Navy Junior Reserve Officers Training Corps	None	N/A	95,877
Total Direct			279,010
Indirect:			
Florida Department of Military Affairs:			
National Guard Civilian Youth Opportunities	12.404	None	547
Total United States Department of Defense			279,557
Total Expenditures of Federal Awards			$ 99,274,402

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 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 - National School Lunch Program. Represents the amount of donated food used during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) Centers for Disease Control and Prevention - Investigations and Technical Assistance. Represents expenditures of $86,[illegible] from [illegible] Projects Contract [illegible] and $245,740 from Contract [illegible].

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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 Pinellas County District School Board as of and for the fiscal year ended June 30, 2008, 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 aggregate discretely presented component units, as described in our report on the Pinellas 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. We consider Financial Statement Finding Nos. 1, 2, and 3, which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be significant deficiencies in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we consider Financial Statement Finding No. 1 to be a material weakness.

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, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit -- N. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin

David W. Martin, CPA
March 24, 2009

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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 Pinellas County District School Board'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, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. 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, 2008. 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 **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report 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 **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report 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 Federal Awards control deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be material weaknesses.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit – N. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 24, 2009

PINELLAS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB *Circular A-133*?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Title I Grants to Local Educational Agencies (CFDA No. 84.010)
Dollar threshold used to distinguish between Type A and Type B programs:	$2,831,233
Auditee qualified as low-risk auditee?	Yes

PINELLAS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENT FINDINGS

Material Weakness

(Combination of Finding Nos. 1A through 1H)

Finding No. 1: Investment Controls

The District's controls over its managed investments could be improved as discussed in Finding Nos. 1A through 1H. At June 30, 2008, the District had approximately $402 million of investments. The District's managed investment portfolio included obligations of United States Government agencies and instrumentalities, corporate debt, mutual funds, commercial paper, and shares in the State Board of Administration's Local Government Surplus Funds Trust Fund investment pools. During the 2007-08 fiscal year, the District's managed investment program included 81 investment security purchases, totaling approximately $708 million, and 50 investment security sales, totaling approximately $413 million.

The District has established Board Policy 7.24 which authorizes the Manager of Cash and Investments (Manager), under the supervision of the Chief Business Officer (CBO), to conduct investment transactions in accounts at Board-approved financial institutions, conduct other banking and financial transactions in Board approved financial institutions, make individual investment decisions, and direct the third party custodian to act on said decisions. In addition, the Policy authorizes the Manager, or his backup, to execute electronic funds transfers.

Finding No. 1A: Investment Program Management

An investment function needs complete, well-documented policies and procedures to describe the scope of the function and assign related roles and responsibilities relative to such matters as asset access, transaction execution, performance reporting, security valuation, compliance monitoring, and ethics policies. Sound policies and procedures contribute to effective controls by ensuring the clear communication of management expectations, providing benchmarks against which compliance can be measured, and assuring that an appropriate separation of incompatible duties is maintained.

The Board adopted policies and procedures in Board Policy 7.24 that establish the Board's directives for managing school board investments. These directives address authorized investments, maturity and liquidity requirements, the investment oversight committee responsibilities, ethical standards, certain internal controls and other useful guidance for District staff. However, given the complexities and volatility of the current investment environment, the Board's investment policies and procedures should be expanded to further address areas, such as ethics policies; benchmarks that more closely match the Board's investment and investment performance objectives; specific procedures for investment transaction and performance monitoring; enhanced controls over the preparation of cash flow projections; and accounting and electronic funds transfer controls. These areas are discussed in more detail in the findings below. Without adequate comprehensive written policies and procedures, the risk is increased that investment policies may not be followed consistently and in a manner pursuant to Board intentions.

Also, further enhancements of the District's written policies and procedures could be made related to training activities. For example, while the policy requires the Manager to annually complete eight hours of continuing education classes related to investment practices and products, District policies and procedures do not require that backup for the Manager obtain and maintain similar training should the Manager become unable to perform his work-related duties. Upon audit inquiry, it was determined that two individuals, the Financial Reporting Analyst and Accounting Supervisor, were designated as backup for the Manager; however, District records did not evidence that these employees have received any training on the procedures necessary to manage the District's investment portfolio and ensure the District's liquidity needs are met. Absent a requirement for proper training of these personnel, or alternative procedures in the event of the loss of the Manager's services, there is an increased risk of loss of investment value, earnings, and liquidity.

Recommendation: The District should expand its policies and procedures to provide further guidance in safeguarding the District's investments, including ethics policies; benchmarks that more closely match its investment and investment performance objectives; investment transaction and performance monitoring; preparation of cash flow projections; accounting and electronic funds transfer controls; and sufficient and adequate training of the backup for the Manager.

Finding No. 1B: Ethics Policies

Board Policy 7.24(6) requires that the Manager, under the supervision of the CBO, make investments with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. While the policy provides a general basis for prudent and ethical standards, it does not clearly set forth the details of how these standards may be applied. For example, the policy could be strengthened to require that employees responsible for managing the Board's investment portfolio:

- Avoid personal, social, employment or business relationships that reflect adversely on the individual's objectivity, create conflicts of interest or interfere with the proper performance of official duties and shall have an affirmative duty to disclose and cure conflicts of interest;
- Fully disclose any personal financial or investment positions that could be related to the performance of the investment portfolio; and, disclose any material interests in financial institutions with which they conduct business on behalf of the District;
- Not use the prestige or influence of their position or District resources to obtain personal, financial or political gain or private advantage for themselves, their family or an organization with which they are associated;
- Not seek or accept gifts, money, preferential treatment or property that would influence, or appear to influence, official duties; and
- Use care and discretion in the handling of confidential information and not disclose or use confidential information for personal gain or private advantage.

Ethical policies should clearly communicate that persons responsible for managing the District's investment portfolio are held in public trust, and obligated to honesty and integrity in fulfilling these responsibilities. Paramount in that trust is the principle that public employment may not be used for personal gain or private advantage.

Recommendation: The District should enhance its ethical policies and procedures so that employees responsible for managing the Board's investments are clearly held to standards which protect the District's resources, reduce the risk of fraud or abuse, and advance the public's interest.

Finding No. 1C: Investment Program Performance Objectives

Board Policy 7.24(5) provides that the performance measurement objective of the School Board's investment portfolio was to exceed the State Board of Administration's Local Government Surplus Trust Fund investment pool (Pool) yield. We found that as the commensurate levels of interest rate risk significantly differ between the Pool and the District's investments, the use of the Pool as a benchmark may not provide a reliable measure of the District's investment portfolio's performance. The benchmark index selected should be commensurate with the levels of risk, including interest rate risk, permitted in the District's investment plan and portfolio. The Pool operates in a manner similar to a SEC Rule 2a-7 like pool, with the intent of providing full liquidity and limited interest rate risk. Under SEC Rule 2a-7, the dollar-weighted average portfolio maturity may not exceed 90 days, and the reported weighted average maturity of the Pool at June 30, 2008, and June 30, 2007, was 20.22 days and 26 days, respectively.

The District's policy allows the purchase of investment securities with significantly longer maturities, and thus, potentially greater levels of interest rate risk than that allowed in the Pool. In addition, the policy allows the weighted average duration of the District's investment portfolio to not exceed five years, and the weighted average duration of the District's investments at June 30, 2008, and June 30, 2007, was 2.67 years and 4.19 years, respectively.

Recommendation: The District should adopt a benchmark or benchmarks that more closely match its investment objectives and policy. Such benchmarks may better aid the District in evaluating investment performance.

Finding No. 1D: Investment Transaction Monitoring

Effective compliance monitoring procedures are necessary to provide assurance that the securities purchased are consistent with the approved investment strategies and in compliance with any applicable regulatory requirements. Through inquiry and review of District records, we determined that procedures over investment transaction monitoring could be enhanced, as discussed below:

- The CBO verbally informed us that he reviews the propriety of investment purchases and sales made by the Manager once confirmation receipts are received. We tested ten investment transactions, including purchases, totaling approximately $91 million, and sales, totaling approximately $100 million, to determine whether District records evidenced timely approval of the transactions. Our test disclosed that District records did not evidence a review by the CBO for six of these transactions. The remaining four transactions in our test occurred from 3 to 13 days before the CBO's documented review date.

Further, in analyzing investment transactions and supporting documents, we noted that, for one investment, the Manager sold the same investment twice and had to buy the security needed to cover the second sale and for another investment, the Manager mistakenly sold the investment and bought it back, for combined losses totaling $74,116.

- Board policy 7.24(7) requires investment instruments to have the highest quality as rated by a nationally recognized rating agency at the time of purchase. If the rating of an investment is downgraded to less than the highest quality rating, the Manager, in consultation with the Investment Oversight Committee, is responsible for deciding whether the investment is to be sold or retained. However, the policy does not specify the timeframe in which such decisions should be made or provide proper oversight and accountability for such transactions. Effective monitoring of downgraded securities requires that determinations be made timely as to the most prudent course of action regarding retaining or selling the downgraded securities.

Timely, independent review and approval of investment transactions, including purchases, sales, and rating downgrades, would reduce the risk that investment transactions not conforming to the District's policy may occur or escape detection.

Recommendation: To ensure the appropriateness of investment activities, the District should provide for timely, independent review and approval of investment transactions, including purchases, sales, and any security rating downgrades.

Finding No. 1E: Investment Program Performance Reporting and Monitoring

The Manager prepares quarterly investment portfolio reports which contain quarter-end investment values and income statements, and comparisons of this information to similar data from the previous year; however, the reports for the 2007-08 fiscal year were not presented to the Board in a timely manner, as shown below:

Investment Portfolio Reports		
Quarter Ending Dates (A)	Board Approval Dates (B)	Number of Days Elapsed (B) - (A)
9/30/2007	1/8/2008	100
12/31/2007	5/13/2008	134
3/31/2008	9/9/2008	162
6/30/2008	11/11/2008	134

In addition, preparation of the quarterly investment portfolio reports by informed individuals independent of the management of the investment activity would provide additional assurances to the Board regarding the objectivity of the information provided.

We also noted that the Investment Oversight Committee was comprised of only two of the required three School Board personnel and did not meet at least quarterly, contrary to Board policy. For the quarters ending September 30, 2007, and June 30, 2008, the Committee met on December 4, 2007, and September 4, 2008, respectively. For the quarters ending December 31, 2007, and March 31, 2008, the Manager e-mailed Committee members on June 6, 2008, and August 14, 2008, respectively, the agenda and quarterly investment portfolio. Committee members were requested to e-mail questions and comments to the Manager; however, no responses were received by the Manager from the Committee members.

When reports of investment activity are not timely communicated to Board and other appropriate management, there is an increased risk that matters requiring corrective action may not be timely detected, investigated, and resolved.

Recommendation: The District should provide for timely and independent preparation and submission of investment reports to the Board. The District should also ensure that the Investment Oversight Committee includes the requisite number of qualified members and meets in such a manner to timely review investment activities.

Finding No. 1F: Cash Flow Projections

The Manager prepared a cash flow worksheet which projected when cash inflows and outflows would occur for all funds except the agency funds, and investment purchases and sales were based on this worksheet. However, there was no independent review of the worksheet to determine the reasonableness of the District's projected cash needs.

Independent preparation, review, and approval of the reasonableness of the determination of projected cash needs would reduce the risk of inappropriate decisions regarding investment purchases and sales transactions.

Recommendation: To provide for timely, independent review and approval of the projected cash flow needs, the District should place responsibility for the preparation of the cash flows worksheet with persons independent of the investment purchases and sales.

Finding No. 1G: Accounting Controls

Improvements are needed in the District's accounting procedures for journal entries and reconciliations over investment transactions as follows:

- **Journal Entries.** The Manager prepares the journal entries to record the investment transactions including those relating to interest revenue and fair value adjustments to the investment values. Although the Manager does not input the entries into the District's accounting system, there was no supervisory review and approval of the journal entries. Our review of investment transactions to determine whether interest revenue earnings were accounted for correctly in the District's general ledger disclosed several hand-written adjustments made by the Manager on the supporting documentation of interest earnings each month. The net balance after the hand-written adjustments was the amount recorded in the general ledger as interest earned. Upon inquiry, the Manager informed us that these types of adjustments were necessary as the software used by the District to track interest earnings did not always calculate it correctly. Hand-written adjustments often consisted of one amount that could have been comprised of several individual adjustments to multiple investments. As the Manager adjusted the interest earnings in the software for noted errors, documentation was not always prepared to support the hand-written adjustments. For example, in March 2008, an adjustment in the amount of $105,438 was noted as a cumulative increase to interest earnings from July 2007 through February 2008. The adjustment did not specify the specific investment to which the earnings applied, nor was documentation available to support the adjustment.

An informed independent review and approval of journal entries to adjust the value and earnings of investments would provide additional assurance of the propriety of such entries.

- **Reconciliations.** The staff accountant performed monthly and fiscal year-to-date reconciliations of interest earnings and fair value adjustments to the general ledger and the subsidiary ledger maintained by the Manager. However, our review disclosed that the District records did not evidence documentation to support two reconciling items of $75,364 and $206,083, listed on the June 2008 reconciliation and two reconciling items of $253,092 and $206,083, listed on the fiscal year-to-date reconciliation. The Manager indicated the $206,083 listed on both reconciliations was a reconciling item from the 2006-07 fiscal year; however, the District records did not evidence the basis for the reconciling item. The Manager further indicated that the software used by the District to track interest earnings did not always calculate it correctly and was the cause for the other reconciling items. Without timely resolution of reconciling items, there is an increased risk of reporting incorrect amounts of investments and interest earnings.

  While the reconciliations performed by the staff accountant were independent of the Manager who was responsible for initiating and authorizing investment related transactions, the staff accountant obtained guidance from the Manager to identify the basis for reconciling items and how they should be resolved. While the staff accountant may occasionally obtain clarification from the Manager for certain reconciling items, the reconciliation process could be strengthened if the staff accountant independently resolved items with limited discussion or influence from the Manager. In addition, due to the complexity of the software system used for subsidiary records, it may be beneficial if the District provides additional training for the staff accountant to further understand the system and its relationship to the investment activities.

Recommendation: To ensure the appropriateness of journal entries and reconciliations impacting investment activities, the District should provide for timely, informed, independent review, approval and reconciliation of such items.

Finding No. 1H: Electronic Funds Transfers

State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), provides the minimum security measures for electronic funds transfers including a requirement to maintain written documentation signed by the authorized person and person making the transfers. While the Manager, Financial Reporting Analyst, and Accounting Supervisor have the capability to initiate and make electronic funds transfers for all of the District's bank accounts, there was no independent documentation of the transfers from the bank to the District to confirm the transactions, contrary to the requirements of SBE Rule 6A-1.0012, FAC. In addition, there was no timely and independent review by a District employee to verify the validity of these transfers. Without such verification, there is an increased risk that unauthorized transfers could occur and not be timely detected.

Recommendation: The District should implement appropriate procedures to comply with the requirements of SBE Rule 6A-1.0012, FAC, and to provide for a timely and independent review of the validity of electronic funds transfers.

Significant Deficiencies

Finding No. 2: Financial Reporting

Our review of the District's 2007-08 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances on the financial statements. For example:

- Due to oversight, the District did not properly identify and report expenditures and other financing sources, totaling approximately $11 million each, in the Capital Projects – Local Capital Improvement Fund for obligations under capital leases entered into during the 2007-08 fiscal year.

- District personnel also excluded approximately $40 million from the unreserved fund balance in the General Fund, and misclassified it as reserved for other purposes. Since this amount did not represent moneys that were legally segregated for specific future use, it should be included in the amount reported as unreserved.

We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances. Additional Matters Finding No. 7, Capital Asset Controls, discusses additional deficiencies which impacted the notes to financial statements.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure that account balances and transactions are properly reported on the financial statements.

Finding No. 3: Bank Account Reconciliations

Effective internal control procedures require that reconciliations of bank account balances with the District's general ledger balances be prepared in a timely manner to provide assurance that the District's cash collection and disbursement records are in agreement with bank records. The District maintained 13 bank accounts during the audit period. Our review of bank reconciliations disclosed the following:

- The District did not prepare monthly bank reconciliations for two bank accounts (reserve accounts) for July 2007 through June 2008 and one bank account (tax shelter annuity bank account) was not reconciled for May or June 2008. These three bank accounts of General Fund moneys, totaling approximately $0.5 million and $3.4 million, respectively, for the reserve accounts, and $0 for the tax shelter annuity, at June 30, 2008, were maintained by the Manager of Cash and Investments. According to District personnel, one of the two reserve accounts was not timely reconciled because interest earnings were the only activity related to the account, and the tax shelter annuity account was not reconciled due to an oversight.

- The monthly bank reconciliations initially prepared for the custodial investment bank account disclosed that reconciliations for July through November 2007, had been completed from 33 to 99 days after month end, and contained unexplained reconciling items of approximately $93,000 each month. We further noted that the December 2007 bank reconciliation contained an unexplained reconciling item of approximately $136,000. According to District personnel, these accounts were not reconciled timely because the reconciling items could not be initially determined. In June 2008, the District prepared revised bank reconciliations, identifying and eliminating the previously unexplained reconciling items.

Without timely bank reconciliations, there is limited assurance that the cash and investment assets agree with those recorded in the accounting records.

Recommendation: The District should continue its efforts to timely reconcile all bank statements and document and resolve all reconciling items.

ADDITIONAL MATTERS

Finding No. 4: Inventories – Separation of Duties

The District could enhance its internal control over the maintenance, warehouse, and transportation department inventories by adequately separating authorization of inventory purchase requisitions, asset custody and record keeping responsibilities, and limiting access to inventory storage areas. The maintenance, warehouse, and transportation inventories totaled $2,287,971, $934,289 and $1,035,639, respectively, at June 30, 2008.

Three employees in the maintenance department, two employees in the warehouse department and five employees in the transportation department had unrestricted physical access to the inventory and maintained the perpetual inventory records. In addition, one of the three maintenance department employees and one of the two warehouse department employees, noted above, had the authority to approve purchase requisitions. Under these conditions, there is an increased risk that errors or fraud, should they occur, would not be timely detected. A similar finding was noted in our report No. 2006-188. During the 2008-09 fiscal year, District procedures were enhanced to provide an independent review of inventory entries on a monthly basis for maintenance inventories and quarterly for warehouse inventories.

Recommendation: The District should continue its efforts to provide for an adequate separation of duties associated with the maintenance, warehouse and transportation departments' inventories to the extent practicable with existing personnel or implement compensating controls such as periodic review of inventory purchases and issues by staff independent of the inventory function.

Finding No. 5: Cash Disbursements – Separation of Duties

Enhancements could be made in District disbursement procedures by segregating incompatible duties. Our review of disbursement processing disclosed that two senior account clerks, one accountant and an accounts payable coordinator, had update access capabilities to make changes to the vendor information in the accounting system, such as adding new vendors and changing mailing addresses, and also had vouchering capabilities, including initiating payments to vendors. To compensate, in part, for these control deficiencies, an employee independent of the disbursement process verified the propriety of vendor additions. Also, in April 2008, the District's MIS department enhanced its accounting system to capture the user ID of the person who adds the vendor to the accounting system; however, the incompatible duties could allow payments to be made to fictitious vendors or payments to be diverted to improper mailing addresses without being prevented or detected in a timely manner. A similar finding was noted in our report No. 2006-188.

Recommendation: The District should enhance procedures to separate the incompatible duties related to disbursement processing or implement compensating controls such as an independent periodic review of vendor payments made by employees who added, or made changes to, vendors in the accounting system.

Finding No. 6: Accounts Payable and Payroll Deductions and Withholdings General Ledger Accounts

An effective system of internal control includes procedures that provide for general ledger accounts to be periodically reconciled with detailed supporting records to provide reasonable assurance that asset and liability balances are comprised of properly valued amounts. Our review of the liability general ledger account balances for the District's health plans disclosed that one accounts payable and three payroll deduction general ledger accounts, which typically should have credit balances, had debit balances, totaling $833,777, at June 30, 2008. The last accounting entries made to these accounts were dated from December 2003 to December 2005. District personnel indicated that these accounts were no longer being used, and because of oversights by the District, these accounts had not been eliminated. Under these conditions, the District's ability to substantiate the basis for these general ledger balances is limited.

Recommendation: The District should enhance procedures to ensure liability accounts are timely reconciled to supporting documentation to ensure the validity of those accounts.

Finding No. 7: Capital Asset Controls

Improvements are needed in the District's accounting procedures for capital outlay and capital asset transactions as follows:

- The District lacks detailed listings of all land improvements and buildings and fixed equipment. Currently, the District calculates its year-end balance for land improvements and buildings and fixed equipment accounts by adding current year additions to the prior year balance for the site; however, there is no detail of the individual building or land improvement by site for these asset categories. In the event of the sale, loss, or impairment of any of the District's land improvements or buildings and fixed equipment, it may not be possible for the District to determine the cost of the asset for removal from the District's financial records. A similar finding was noted in our report No. 2006-188.

- For the 2007-08 fiscal year, additions to the detailed property records for furniture, fixtures, and equipment (FFE), motor vehicles, and audio visual materials and computer software (AV/CS) did not agree with applicable capital outlay expenditures due to a computer system programming error. While the June 30, 2008, ending balances for these capital asset types were correctly reported on the financial statements, the programming error resulted in the additions and deletions for these assets being overstated on the notes to financial statements in the annual financial report. The total difference for these accounts amounted to $10,232,072, as disclosed below.

Capital Asset Type	Capital Asset Additions	Capital Outlay Expenditures	Difference
FFE	$ 17,313,927	$ 9,824,624	$ 7,489,303
Motor Vehicles	8,331,471	6,185,194	2,146,277
AV/CS	2,359,541	1,763,049	596,492
Totals	$ 28,004,939	$ 17,772,867	$ 10,232,072

Timely reconciliations of capital asset subsidiary records and capital outlay expenditures may reduce the likelihood that changes in capital assets are incorrectly disclosed in the notes to the financial statements. We extended our audit procedures to determine the necessary revisions to the District's note disclosures for capital assets, and the changes were accepted by the District.

Recommendation: The District should strengthen procedures to ensure the adequacy and accuracy of capital asset records and the related balances disclosed in the notes to financial statements.

Finding No. 8: Food Service Collections

The District reported local food service revenues totaling approximately $14.9 million for the 2007-08 fiscal year. Our review indicated that controls over District food service collections were generally adequate; however, we noted certain improvements that could be made in internal controls over food service cash collections. Collections from a la carte sales totaled $206,801 at St. Petersburg High School. We noted that cash boxes were used to account for certain a la carte food sales as these items were sold at various locations within the high school. However, procedures such as inventory controls or the use of receipting devices were not in place to evidence the reasonableness of reported sales. Without adequate controls over individual a la carte sales, the District's ability to properly account for such sales is limited.

Recommendation: The District should enhance control procedures to provide for proper accountability of food service a la carte sales. Such enhanced control procedures may include inventory control procedures and the use of the point-of-sale cash registers.

Finding No. 9: Ad Valorem Taxation

The District incurred costs, totaling $1,819,909, from its capital outlay millage levy funds that were not, of record, allowable under the provisions of Section 1011.71(2), Florida Statutes. This section provided that the Board may levy against the taxable value not more than 2 mills for capital outlay purposes, and provided the allowable uses of capital outlay millage levy proceeds. Such uses included, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; school bus purchases; purchases of new and replacement equipment; and payments due under lease-purchase agreements for educational facilities and sites.

The District recorded a $1,819,909 budgeted transfer from the Local Capital Improvement (LCI) Fund to the General Fund to reimburse the cost of certain textbook and classroom reference book purchases during the 2007-08 fiscal year. Although the purchase of the opening day collection for a new school's library media center is an allowable use of capital outlay millage proceeds, the purchase of textbooks using these proceeds is not provided for in law. Subsequent to our inquiry, the District reimbursed the LCI Fund for the questioned costs by transferring funds from the General Fund in the 2008-09 fiscal year.

Recommendation: The District should continue its efforts to ensure that it limits use of capital outlay millage funds to the purposes set forth in Section 1011.71(2), Florida Statutes.

Finding No. 10: Construction Administration

Pursuant to Section 1013.45(1), Florida Statutes, a school district may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project.

We reviewed the District's administration of guaranteed maximum price (GMP) contracts, totaling approximately $27.8 million, $23.3 million and $5.6 million, respectively, for the Tyrone Elementary School, Dunedin Elementary School, and Lealman Bus Compound projects. The District entered into contracts for the Tyrone Elementary, Dunedin Elementary, and Lealman Bus Compound projects in October 2006, April 2005, and March 2007, respectively, and had cumulative expenditures for these three projects totaling approximately $21.6 million, $23.3 million, and $5.2 million, respectively, as of June 30, 2008.

Under GMP contracts, the District may realize cost savings if the cost of construction is less than the GMP. As such, a GMP contract requires District personnel to closely monitor construction costs. Our review disclosed that the District could enhance its controls over construction contracting, as discussed below:

- The contracts required the CMEs to take competitive bids and prepare a bid tabulation that would be furnished to the District and architect. Facilities Department personnel indicated that they participated in the CME's subcontractor bid openings and tabulations of bid information; however, District records, such as bid tabulations, were not signed and dated by District personnel to document their involvement in this process. Participation in the subcontractor bid process, and documentation of such participation, provides the District assurance that potential cost savings are realized under GMP contracts.

- District records did not evidence that the District monitored the CME's verification that subcontractors were properly licensed. Chapter 489, Florida Statutes, establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. Verification of subcontractor licenses provides the District additional assurance that the subcontractors met the qualifications to perform the work for which they were engaged. A similar finding was noted in our report No. 2006-188. Subsequent to our inquiry, the District indicated that procedures were implemented to verify licensure of major subcontractors such as mechanical, electrical, and roofing, which were pre-qualified by the CME.

We also reviewed the District's procedures for determining whether construction expenditures for the three projects were adequately supported. Our review disclosed that enhancements could be made in verifying amounts paid for general requirement scheduled costs and amounts paid to subcontractors, as described below.

- The general requirement scheduled costs included direct and indirect labor costs for CME staff, such as project managers and superintendents, and other costs, such as cleaning, communications, and utilities. However, District records did not always evidence adequate support for these expenditures. Our tests of CME general requirement scheduled costs, totaling approximately $671,000, disclosed that District records, such as payroll warrant registers for labor costs and vendor invoices for payment and performance bonds, communication, and utility costs, could not be provided to support costs, totaling approximately $645,000. In response to this finding, District personnel indicated that they perform a review of each CME pay request to confirm the signature of the project architect, the construction coordinator, and a representative of the Board architect's office; however, no further explanation was provided for the missing documentation.

- Subcontractor invoices were not always submitted with the CME's applications for payment. Our tests of CME expenditures included subcontractor payments, totaling approximately $3.7 million. District records, such as subcontractor invoices, were not available to substantiate approximately $160,000 of that amount. District personnel did not provide an explanation of why these subcontractor invoices were not part of the records to support these charges.

- Our review of nine subcontractor invoices with contract amounts, totaling $10.9 million, and payment request amounts, totaling $1.1 million, disclosed that these did not always agree with the amounts included in the CME's applications for payments. The CME's application for payments included contract amounts and payment request amounts for these nine subcontractors as $11.6 million and $1.6 million respectively, or differences of $0.7 million and $0.5 million. District records did not document the reasons that these documents were different.

Sufficient, adequate documentation to support amounts charged for general requirement scheduled costs and subcontractors is necessary to evidence that charges are consistent with contract terms and District expectations.

Recommendation: The District should document its involvement in the CME's subcontractor selection process and enhance its monitoring procedures to include the CME's verification that subcontractors are properly licensed. In addition, the District should enhance procedures to ensure that documentation is timely received, reviewed, approved, and maintained to support charges and payments to CMEs, including those for subcontractors.

Finding No. 11: Workforce Education Postsecondary Student Fees

Section 1009.22, Florida Statutes, provides the authority and requirements for the District to charge fees to students enrolled in workforce education programs. During the 2007-08 fiscal year, the District transferred adult general education and postsecondary vocational course fees, totaling $931,359, within the General Fund from the workforce development program account to an unrestricted account.

Upon our inquiry of the District's authority to transfer and use these fees, the District presented an opinion from the School Board Attorney. The opinion stated "pursuant to Section 1001.32(2), Florida Statutes, the Board may exercise any power except as expressly prohibited by the State Constitution or general law. This "Home rule" power would (in his opinion) permit the District to determine how to use workforce development fees where Legislative direction is silent. Absent Legislative direction to the contrary, the District is lawfully permitted to use such fees for non-workforce related purposes. Whether such fees should be used for non-workforce related purposes is a policy question for the Board to consider upon recommendation to the Superintendent."

Based on correspondence from the Florida Department of Education (FDOE) of whether postsecondary workforce education program student fees may be used for programs other than postsecondary workforce education, FDOE considers that the authority, provided by Section 1009.22, Florida Statutes, to charge tuition is based on the intent to have students pay a portion of the cost of postsecondary education, and allowing tuition funds to be used to support district K-12 operations would violate that intent. In our report No. 2006-188, we recommended that the District discontinue its practice of transferring student fees from the workforce development program account to the General Fund for unrestricted purposes, and reimburse the fees, totaling $2,656,153, transferred during the 2004-05 fiscal year to the workforce development program account. However, the District did not make this reimbursement, and transferred additional fees, totaling $3,501,783, for the 2005-06 through 2007-08 fiscal years.

Recommendation: The District should discontinue its practice of transferring student fees from the workforce development program account in the General Fund to an unrestricted account. In addition, the District should reimburse the fees totaling $6,157,936 to the workforce development program account.

Finding No. 12: Workforce Education Program Funds – Indirect Costs

In our report No. 2006-188, we noted that the District charged certain school and district indirect costs to the workforce education postsecondary program based on the District's annual program cost report. These costs were transferred within the General Fund from the workforce development program account to reimburse the District unrestricted accounts for school and district level indirect costs allocable to the postsecondary workforce education program.

We noted that Chapter 2004-268, Laws of Florida, Specific Appropriation 122B of the General Appropriations Act, provided that workforce development funds provided by this appropriation are not to be used to support K-12 programs or the District K-12 administrative indirect costs. Our review disclosed that, in determining the school and district level indirect costs to be used in the allocation process, District staff included expenditures for secondary programs (grades 6 through 12). Therefore, the District transferred $3,033,923 more to the General Fund for indirect costs than was allowable by law.

We recommended that the District should return $3,033,923 to the workforce development program account and revise its methodology over the allocation of indirect costs to ensure that workforce development funds are not used to support K-12 programs or the District K-12 administrative indirect costs. Our review of the current period's allocation of indirect costs to the workforce development program disclosed that the District had revised its methodology over the allocation process so that workforce development funds were not used to support K-12 programs or the District K-12 administrative indirect costs. However the District had not returned the $3,033,923 program funds transferred to the General Fund in excess of the amount allowable by law.

Recommendation: The District should return to the workforce development program account the $3,033,923 transferred to the General Fund during the 2004-05 fiscal year.

Finding No. 13: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that, as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by this date, the District was required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested social security numbers during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

The District requires applicants for employment to provide their SSN on employment applications; however, until January 2008, a statement, in writing, regarding why the applicant's SSN was requested was not provided to the applicant. While student SSNs were obtained for certain forms such as enrollment applications, the District could not document that a written statement regarding the purpose for its collection was provided to the parent or legal guardian. For the 2008-09 fiscal year, written statements were provided to the parent or legal guardian through distribution of the Code of Student Conduct. We further noted that the required report of commercial entities obtaining SSNs and certification of compliance were filed with the Governor and Legislature, as applicable, on January 29, 2008.

Recommendation: The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly monitor its collection and use of social security numbers.

Finding No. 14: Fingerprinting Requirements

The District should improve its procedures for timely obtaining fingerprints and background screenings for instructional and noninstructional staff that have direct contact with students. Sections 1012.56(9) and 1012.465, Florida Statutes, require that instructional personnel renewing their teaching certificates and noninstructional personnel undergo required background screening, which includes fingerprinting, every five years following initial screening upon employment. In a memorandum dated June 25, 2004, the Florida Department of Education

(FDOE) recommended that districts conduct background screenings for certified instructional employees every five years, at the time of renewal of their teaching certificates, and that background screenings be obtained for approximately 20 percent of the noninstructional employees each year, beginning with the 2004-05 fiscal year, in order to complete background screenings for all employees over the five-year period ending July 1, 2009.

The District had a procedure in place for performing the required background screenings for newly hired employees. However, as noted in our report No. 2006-188, the District lacked a procedure for background screenings for existing instructional and noninstructional employees. The District entered into a contract to perform these required fingerprinting and background screenings on May 15, 2008. As of June 30, 2008, the District identified 6,931 instructional and noninstructional employees who had not obtained the required fingerprinting and background screenings. Absent the required fingerprinting and background screenings, there is an increased risk that staff with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should enhance its procedures to ensure that required fingerprinting and background screenings are performed for all instructional and noninstructional staff as required.

Finding No. 15: Cellular Telephones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to the District's records, 925 cell phones were used during the 2007-08 fiscal year at a cost of $427,311.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the District to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee's cell phone bill is an example of such a record. In addition, employers must review the employee's cell phone bills to confirm the cell phone was only used for business.

The District had not developed and implemented policies and procedures requiring employees to maintain notated copies of cell phone bills or a log of business calls detailing the date, time, establishment called, and business purpose of the call. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported for these employees.

Recommendation: The District should confer with the IRS regarding development and implementation of a policy and procedure, as appropriate, and any corrective actions regarding previously unreported income.

Finding No. 16: Monitoring of Charter Schools

Improvements are needed in District procedures for monitoring and reviewing certain activities of its charter schools. During the 2007-08 fiscal year, the District sponsored six charter schools and the contracts with these schools required them to provide evidence of insurance for general liability, automobile liability, workers' compensation/employers' liability, school leaders' errors and omissions, and property damage insurance. The contracts also require that the District be included as an additional insured on the policies.

Subsequent to our inquiry, the District requested evidence of insurance from the six charter schools. Our review of these policies disclosed the following:

- The District lacked documentation of commercial general liability and automobile liability insurance for Academie Da Vinci Charter School, Inc.
- Charter school contracts required school leader's and errors and omissions insurance of $1 million per claim and $2 million annual aggregate. However, the insurance certificates for Academie Da Vinci Charter School, Inc., Pinellas Preparatory Academy, Inc., and Plato Academy indicate an annual aggregate limit of $1 million. In addition, the District did not provide documentation of school leader's and errors and omissions insurance for Life Skills Charter School, Inc.
- The Athenian Academy Charter School, Inc., and Life Skills Charter School, Inc., contracts each required workers' compensation/employers' liability insurance with minimum limits of $1 million per occurrence and $2 million annual aggregate; however, the insurance certificates for these schools only indicate policy limits of $500,000 per occurrence and aggregate and $1 million per occurrence and aggregate, respectively.
- Two charter schools, Pinellas Preparatory Academy, Inc., and The Athenian Academy Charter School, Inc., did not provide evidence of property insurance coverage, although the charter schools' financial statements indicated that there were capital assets which would need to be protected from loss by theft or damage.
- The insurance certificate for Plato Academy did not name the School Board as additionally insured for commercial general liability insurance, contrary to the charter school contract.

In the absence of procedures to monitor and verify that the charter schools have the required insurance coverage, the District may be subject to potential liability in the event uninsured claims occur at the charter schools.

Recommendation: The District should develop procedures to ensure that the charter schools provide evidence of all required insurance coverage.

Finding No. 17: Architect Insurance

Enhancements could be made in monitoring procedures to ensure the adequacy of insurance coverage for work performed by architects. District procedures require architectural firms to provide professional liability insurance of $1 million. The District entered into a contract with an architectural firm to provide architectural services for the replacement facility for Tarpon Springs Elementary with construction costs of $24 million; however, our review of the certificate of liability coverage provided by the District disclosed the architectural firm only carried general liability insurance of $1 million, instead of professional liability. Without adequate procedures to monitor the insurance coverage of architects, there is an increased risk that such coverage may not be adequate, subjecting the District to potential losses.

Recommendation: The District should enhance procedures to ensure that adequate insurance protection is obtained for the design of District building projects.

Finding No. 18: Information Technology – User Application Access Controls

Management should have a control process in place to periodically review and confirm access rights to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. The District had implemented user access control procedures that required a department or school's security administrator to complete a System Service Request (SSR) form to add a new user, change a user's access privileges, or delete a user. The District, however, lacked policies and procedures that would require periodic review by management of user access accounts. A similar finding was noted in our report No. 2006-188.

Recommendation: To provide increased assurance that the access provided is appropriate and authorized, the District should implement procedures to periodically review all user application access accounts for appropriateness and verify that the access granted is evidenced by a written and approved SSR form.

Finding No. 19: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain District security controls that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification or destruction. Similar findings were also noted in our report No. 2006-188.

Recommendation: The District should implement appropriate security controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Finding No. 20: Information Technology – Program Change Controls

Effective controls over changes to application programs are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include maintaining written evidence of the program changes control process, thorough testing and approving of changes by a person or group independent of the individual making the changes, and separating the responsibility for moving approved changes into the production environment from persons who developed the changes.

Our testing of 13 system service requests for program modifications disclosed that, in one instance, the approval to move program changes to production was done by the same person responsible for making the program change. In addition, in two instances, there was no documentation of who approved the move to production. Allowing the same person to create or change a program and approve the move to production increases the risk that unauthorized or erroneous programs will be implemented without timely detection.

Recommendation: The District should ensure appropriate separation of duties exists regarding the movement of programs to production and document who approved the move to production.

Finding No. 21: Information Technology – Terminated Employee Access

Effective access controls include provisions to timely remove employee access privileges when employment terminations occur. Prompt action is necessary to ensure that a former employee does not retain IT access privileges that would allow misappropriation or abuse of District assets. Additionally, sound practices for managing system access privileges include maintaining an automated log to document the dates and reasons that access modifications were made. The District's AS/400 system allows access to the Total Educational Resource Management System (TERMS) which accounts for finance, human resources, payroll, and capital asset information. Although, the District indicated that its general practice was to notify the District System Administrator of employee terminations to provide for the prompt removal of access privileges, we noted deficiencies in controlling these privileges, as discussed below:

- The District did not maintain automated logs of IT access modifications to evidence that former employees' access privileges were removed timely. Without logs of IT access modifications, the District may be unable to determine when a user's access was modified and the District's ability to pinpoint accountability for a breach of security, should it occur, may be hindered. The District did maintain a manual log which listed the employee and the date user access was terminated. However, the log did not document access modifications other than the date user access was terminated.

- Our test of 10 employees who terminated during the 2007-08 fiscal year disclosed computer access privileges were not promptly deleted. For the AS/400 system, the privileges were deleted for nine of the former employees from 13 to 332 days after the termination dates. For TERMS, privileges were deleted for the nine former employees from 13 to 492 days after the termination dates. For the other employee, who terminated employment on July 31, 2007, the manual records showed AS/400 and related TERMS user accesses were deleted in August 2007. Without timely deletion of former employees' access, the risk is increased that access privileges could be misused by the former employee or others.

Although our tests of revenue and expenditure transactions did not disclose any instances of errors or misappropriations as a result of the control deficiencies noted above, the District is exposed to a greater risk of loss when it does not timely terminate the IT access privileges of former employees.

Recommendation: The District should enhance controls over the timely deletion of IT access privileges for former employees in order to minimize the risk of compromising the District's data and IT resources.

Finding No. 22: Information Technology – Security Awareness Training

Effective security awareness training for employees includes periodic updates to promote awareness of practices that protect against harm from failures affecting confidentiality, integrity, and availability of the District's IT resources. District management stated that the District's security awareness training consisted of District Policy No. 7.33 which addresses unacceptable uses of passwords or accounts; prevention of viruses; confidential information; and penalties for noncompliance. In addition, new TERMS users are provided a memorandum which instructs how to set up and activate passwords and serves as an agreement that by activating a user ID the employee agrees not to share the ID or password with anyone. The memorandum also refers new users to a TERMS User Manual for additional information on password change procedures. The District did not have an ongoing program of security training on topics such as incident handling, social engineering, suspicious or unwelcome e-mails, and virus risks.

A lack of comprehensive security awareness training in areas of risk increases the likelihood that users will fail to recognize and respond appropriately to external threats. These failures could result in virus-infected computers or access to confidential or sensitive data by unauthorized individuals.

Recommendation: The District's security awareness training should be expanded to address relevant security risks to which employees could be subject, including the items listed above, to enhance the ability of employees to assist the District in maintaining a safe computing environment.

Finding No. 23: Information Technology – Disaster Recovery

Physical security controls are designed to improve custody over assets and prevent intentional or accidental destruction of data. These controls should serve as preventive measures as well as providing for both the replacement of records that may be destroyed and the continuity of operations following a major hardware or software failure. A disaster recovery plan should identify the critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. The plan should include a written agreement for an alternative processing facility that can be utilized for continuity of operations, including the specific responsibilities of both parties relative to the availability of, and use of, the facility. In addition, plan elements should be tested, at a minimum, annually to disclose any areas not addressed and to facilitate proper conduct in an actual emergency.

The District had developed a Disaster Recovery Plan Procedural Handbook that outlined critical systems and an alternate site for processing in the event of a processing disruption. Section 10.50(2) of the plan handbook requires that the plan be tested at least once annually. The District has not tested the plan since 2005. At the time of this testing, the District determined that the programs were unable to run successfully due to hardware incompatibility. Per District management, the District is currently in negotiations for a hot-site in order to implement its continuity of operations plan. A similar finding was noted most recently in our report No. 2006-188.

Recommendation: The District should finalize its negotiations for a hot-site and test its disaster recovery plan at least once a year as provided in Section 10.50(2) of its plan handbook.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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: Noncompliance and Significant Deficiency
Questioned Costs: $1,079,879

Level of Effort – Supplement Not Supplant. The District did not document that salaries and benefits paid from Title I funds to certain District employees met the supplement not supplant compliance requirement, resulting in questioned costs, initially totaling $1,304,752. Public Law 107-110, United States Code, provides in part, that Title I program funds shall be used to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds. The United States Office of Management and Budget *Circular A-133* provides that it is presumed supplanting has occurred if the local education agency (LEA) has used the Federal funds to provide services that the LEA provided with non-Federal funds in the prior year.

The United States Department of Education (USED) performed a monitoring review of the Title I program for the 2007-08 fiscal year which disclosed, in part, that the District did not meet the requirements for supplement not supplant. The District paid salaries and fringe benefits, totaling $403,720, for an associate superintendent, office manager, and four staff developers from the Title I program funds during the 2007-08 fiscal year, however, during the 2006-07 fiscal year, these salaries were paid from the General Fund. In these circumstances, the salaries and benefits paid from Title I funds, are presumed to have supplanted because the salaries and benefits were provided from non-Federal funds in the prior year and, therefore, represent questioned costs. In addition, the District paid 2 plant operators, 13 staff developers, and a nurse with combined salaries and benefit costs, totaling $901,032, from Title I program funds during the 2007-08 fiscal year. However, USED determined that the District did not document that these costs met the supplement not supplant compliance requirement. The District restored $224,873 of the questioned costs by transferring expenditures representing salaries and benefits costs to the General Fund in July 2008. According to District personnel, as of January 2009, the District is awaiting official notification from the Florida Department of Education regarding any remaining funds that must be restored.

Recommendation: The District should document to the grantor (USED) the allowability of the remaining questioned costs of $1,079,879, or these moneys should be restored to the program.

District Contact Person: Charlie Eubanks, Director, Special Projects Office

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: Noncompliance and Significant Deficiency
Questioned Costs: $163,858

Special Tests and Provisions – Highly Qualified Teachers. Title 34, Section 200.55, Code of Federal Regulations, requires that school districts ensure that all public elementary and secondary school teachers who teach core academic subjects in a program supported with the Title I funds, such as Title I schoolwide program, including teachers employed by the District to provide services to eligible private school students be highly qualified. Title 34, Section 200.56, Code of Federal Regulations, stipulates, among other things, that a teacher must be certified in each core academic subject assigned, generally through State testing or additional coursework, to be highly qualified.

The USED's monitoring review disclosed that teachers employed by the District to provide services to eligible private school students did not meet the requirements to be highly qualified for the core academic subject he or she was teaching. Our review of District records disclosed salaries and benefits, totaling $163,858, paid to 19 teachers who did not meet the highly qualified teacher requirement during the 2007-08 fiscal year. The District indicated that these hourly teachers were under direct supervision of a classroom teacher and were not considered teachers of record for core academics in Pinellas County Schools. Based on this, the District did not consider them as subject to the highly qualified teaching requirements; however, this view appears contrary to the Federal regulations. Further, the District is currently identifying and monitoring compliance with the highly qualified requirements for teachers providing services in private schools. Having highly qualified staff would enhance the District's ability to properly educate Title I students and contribute toward meeting the adequate yearly progress standards set by the USED. The salary and benefits costs, totaling $163,858 paid to these employees while assigned to these teaching positions represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure that all teachers hired to teach core academic subjects in Title I private schools are highly qualified. In addition, the District should document to the grantor (Florida Department of Education) the allowability of the $163,858 in questioned costs or those moneys should be restored to the program.

District Contact Person: Charlie Eubanks, Director, Special Projects Office

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit – N.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

PINELLAS COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

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
Cherry Bekaert & Holland, L.L.P.		No prior Federal audit findings.		

EXHIBIT – N
MANAGEMENT'S RESPONSE

PCS
PINELLAS COUNTY SCHOOLS

March 11, 2009

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

Dear Mr. Martin,

Attached please find the District's responses to the preliminary and tentative audit findings and recommendations for the financial, operational and federal audit for the fiscal year ended June 30, 2008. If you have any questions or require further clarification, please notify us at your earliest convenience.

Sincerely,

Lansing K. Johansen
Chief Business Officer
727-588-6318

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 1 Investment Controls

Finding 1A

The Manager of Cash and Investments (MCI) will begin training sessions with backup personnel in various investment transaction activities. Subject to funding availability, the District will work towards having at least one, preferably both, backup personnel, attend annual training. Other items in this finding are covered individually in the paragraphs that follow.

Finding 1B

While the examples cited by the AG are indeed specific standards that may be applied, they are also not all encompassing. Such a prescriptive policy could become cumbersome by attempting to outline every single possibility of ethical behavior. The current policy was formulated with the input of the Investment Oversight Committee (IOC).

Finding 1C

At the March 3, 2009 IOC meeting, the issue of a new benchmark was discussed. The MCI will formulate an alternative benchmark based on the District's specific risk profile. A suggestion was made that the MCI also attempt to formulate a benchmark based on the returns achieved by other governmental entities in the state of Florida, specifically school Districts if available.

Finding 1D

Audit findings were that the review of individual transactions was inconsistent and that the process for review and downgraded securities was not specific enough as to timeliness. The procedure for having confirmations reviewed by the Chief Business Officer (CBO) has been reviewed and approved as follows. The Staff Accountant will create a checklist of investment activity based on the confirmations and screen prints that she receives from the MCI. She will review the checklist and make sure that confirmations are received on a timely basis from the CBO. The procedure for reviewing downgraded securities has been reviewed and improved as follows. The MCI will review the District's portfolio at month end and determine whether any holdings have been downgraded. Downgrades are also released to the newswire on Bloomberg, which is monitored by the MCI. Downgrades are also watched intently by the broker/trader community. When a downgrade affects a District bond, it benefits the broker to inform the MCI as it represents a possible trade. This has happened in at least one instance. As soon as the MCI determines that an investment has been downgraded, the MCI will send an e-mail to the IOC, and obtain concurrence as to the most prudent course of action.

Finding 1E

The timeliness of the review of the quarterly investment reports and presentation to the Board was hampered by what staff feels were one-time issues, specifically, the difficulty in reconciling the investment activity during the year. Additional staff resources were temporarily assigned to the reconciliation issue. Staff will be more diligent in a timely review of the quarterly investment reports by the IOC and subsequent presentation of those same reports to the Board. A third internal staff member has been identified and added to the IOC. That individual has attended the most recent IOC meeting.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding 1F

Staff feels that the nature of the cash flow projections, in as much as they are based on thoroughly reviewed budget figures, is sufficient to ensure reasonableness. However, the MCI will review the assumptions used in the cash flow projection with the CBO and the Assistant Superintendent for Finance and Business Services prior to the start of each fiscal year.

Finding 1G

1) The process for creating and posting the wire transfer entries to record investment activities has been reviewed and improved. When the MCI has created a wire transfer entry, he will give it to the Director of Accounting for review. The Director will then initial the first page of the wire transfer entry and give it to the account clerk responsible for inputting into TERMS. 2) The MCI will more thoroughly document any adjustments that are made to the final SymPro reports used to record investment earnings activity. 3) The Staff Accountant will more thoroughly document any reconciling items that are identified on the investment account reconciliations. 4) The investment account reconciliation process is complex and it is expected that anyone performing the reconciliation will have a significant learning curve. The MCI feels that the Staff Accountant with this job function is performing as expected given the time on the job and the training she has received. Each new reconciling item is a "teaching moment" and staff feels that the process will become more independent each month.

Finding 1H

The process for executing electronic funds transfers has been reviewed and improved. Upon the completion of a wire transfer from a District account to a destination outside District control, the MCI will inform the Financial Reporting Analyst in the Finance Department. She will then review the wire transfer entry and sign on to the District's banking web site and confirm that the transaction(s) was completed correctly. She will then sign the wire transfer entry indicating the transaction has been verified. This individual reports directly to the CBO.

Finding No. 2 Financial Reporting

The District will enhance its procedures to ensure accurate reporting on the financial statements.

Finding 3 Bank Account Reconciliations

Audit finding was that not all District bank accounts were reconciled, nor were some of the reconciliations completed timely. The process of reconciling District bank accounts was reviewed and improved. The bank accounts with non-standard or incomplete reconciliations are now reconciled by the same person responsible for all of the other District bank accounts. Efforts will be made to improve the timeliness of the reconciliations and the correction of any reconciling items.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 4 – Separation of Duties

- Maintenance -- The District's Business Management Department located at Walter Pownall Service Center is responsible for providing an independent review of inventory purchases, usage and cycle count adjustments on a monthly basis. Although we have identified these items, this action has not been successfully implemented due to the high volume of inventory transactions, personnel reductions, and past and future expected operating expense reductions. Because of the aforementioned issues, we were unable to achieve a separation of duties and appropriate internal controls. The District recognizes the need to maintain adequate internal controls and separate duties. We will continue to review options to improve whenever possible.
- Warehouse – The District's Business Management Department is responsible for providing an independent review of inventory entries on a monthly basis. During the fiscal year 2008/2009, the Warehouse Department has provided transaction data quarterly for Business Management to do an independent review of certain inventory entries. The department staffing limits the flexibility of assigning separate and non-overlapping duties. The District will continue to look at options to improve these processes wherever possible.
- Transportation – The District's Business Management Department is responsible for providing an independent review on a monthly basis. Due to the three parts rooms located across the county, the same volume experience as previous years and strong controls limiting overtime, the District must resort to overlapping duties to maintain efficient operations. The District will continue to examine options to increase separation of duties and internal controls.

Finding No. 5 – Separation of Duties

The District has many layers of mitigating internal controls which we believe help prevent and detect payment to fictitious vendors, or diversion of payments to an improper mailing address. The District engaged an independent forensic auditing firm to audit the accounts payable system and the payroll system. In auditing the accounts payable system, the scope of the audit examined all accounts payable transactions for a period of two years. The audit examined such things as fictitious vendors, employees posing as vendors and vendor payments sent to fictitious or erroneous addresses. After a review of all accounts payable transactions for a two year period, no inappropriate transactions were found by the independent firm. The District is confident that its internal controls in the area of accounts payable are strong and the independent forensic audit has provided evidence to that fact. However, in an effort to further enhance the internal control structure, management will request a report from the MIS department which shows the user ID of the individual effecting changes to vendor records. That report will be reviewed for appropriateness of such changes/additions which will provide a review independent of the accounts payable process.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 6 - Accounts Payable and Payroll Deductions and Withholdings General Ledger Accounts

The District has enhanced its procedures to reconcile and adjust general ledger health plan accounts.

Finding No. 7 – Capital Asset Controls

(a) The District maintains subsidiary records for its buildings by individual site or location. Building improvements, such as wing additions or roof replacements become chattels of the building and therefore, indistinguishable from the building. As such, it is neither practical nor cost effective to maintain separate records for those improvements that become incorporated as part of the structure as a whole. Individual buildings at any given site are readily identifiable and the District removes such buildings from the subsidiary when it is to be razed and the cost is identifiable. When the facility was originally constructed it is unlikely that the contractor identified costs associated by building; rather the completion price would more likely have been for the facility as a whole. Therefore, it is difficult to determine an accurate value to remove from the subsidiary if only 1 or 2 buildings are razed on a site of multiple buildings. The District has a reasonable process in place for the accountability of its buildings.

The District also maintains subsidiary records for land and site improvements in the aggregate by site. The District does not maintain detailed subsidiary records for individual land or site improvements. Normally, land and site improvements are made to ready a site for use and become part of the total cost of the site. For example, the District does not maintain a separate subsidiary for the value of sod installed at a site.

The District will however, evaluate the practicality and cost effectiveness of maintaining detailed ledgers for future additions and site improvements.

(b) A computer system programming error occurred in August 2007 and was discovered on the month-end reconciliation report. It took MIS several months to find all the errors and make the corrections; however, this still did not balance the month-end reconciliations. This original problem masked another problem with one of the month-end reports which was duplicating entries every month. These figures had to be manually backed out of the month-end totals, which was time-consuming and delayed the month-end reconciliations even further. It took until July of 2008 for MIS to correct this second system error. Since then, we have been balancing consistently every month.

Finding No. 8 – Food Service Collections

The District has enhanced is procedures for ala carte sales and has made them effective February 25, 2009, and has made them a permanent part of the Operations Manual.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 9 – Ad Valorem Taxes

When the computation to transfer allowable costs from capital outlay millage funds was performed, the District inadvertently included certain unallowable costs. When this error was discovered, the District took immediate corrective action to transfer the $1,819,909 back to capital outlay millage funds. The District will enhance its procedures for performing future calculations.

Finding No 10 – Construction Administration

The District has made many changes in the Facilities Department since the last Auditor General Report. The Director of Facilities and the Manager of Construction positions have been eliminated and the School Board Architect position remains unfilled. In addition, three Construction Technician positions and one Clerical position were eliminated. Because of these changes, which represent a great loss of institutional knowledge, the District decided to move forward by authorizing the Director of Business Management to engage Cuthill & Eddy LLC, now known as Carr, Riggs & Ingram LLC (CRI) after a recent merger of the CPA firms. They were engaged to perform attestation services regarding the construction contracts for Lealman Intermediate Middle School – Construction Manager (CM) – Walbridge Aldinger Construction (Walbridge) and Oak Grove Middle School – CM – Peter Brown Construction (Peter Brown).

CRI completed its reports and recommended that Walbridge refund the District $11,850 for costs paid to them that exceeded the Gross Maximum Price (GMP). They did so on May 9, 2008. CRI also reported that Peter Brown spent $85,720 more than the GMP and would not be reimbursed. All findings and recommendations by CRI have been forwarded to the Superintendent, the Chief Business Officer, the School Board Attorney, Finance/Budget Management and Facilities and Operations Division Management. These reports were also provided to Auditor General staff during the current examination. These recommendations as well as other changes have been incorporated into a draft version of the Construction Contract and CM Agreement and will be updated in the near future.

The District has engaged CRI during the Fiscal Year 2008/2009 for the same services to be applied to the recently completed construction contracts for High Point Elementary School – CM – Skanska USA Building (Skanska) and Dunedin Elementary School – CM – Bunbury Construction Co. (Bunbury). The attestation services include a review and reconciliation of sufficient, adequate documentation to support amounts charged for general requirement scheduled costs and subcontractor costs to evidence that charges are consistent with contract terms and District expectations.

The District recently approved the Director, Building Official to oversee the Facilities Department. Along with direction from the Director of Business Management, we will document our involvement in the CM's subcontractor process and enhance its monitoring procedures to include the CM's verification that subcontractors are properly licensed. In addition, the District will enhance procedures to ensure that documentation is timely received, reviewed, approved, and maintained to support charges and payments to CM's, including those for subcontractors.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 11 Workforce Education Postsecondary Student Fees

The recommendation is duly noted. However, the communication received from Florida Department of Education staff appears to be a policy statement and not a legal interpretation of statute. The District's legal counsel maintains its position as previously stated.

Finding No. 12 Workforce Education Programs – Indirect Costs

The District has modified its procedures for allocating indirect cost to the workforce development fund.

Finding No. 13 – Collection of Social Security Numbers

As noted in the finding, the District has implemented procedures and is in compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 14 – Fingerprinting Requirements

Pinellas County Schools contracted with PrideRock/ABG to perform all of the requisite re-fingerprinting of current employees pursuant to the statute. There were 10,636 employees two years ago that needed to be printed by June 2009. To date, the remaining number of employees is approximately 2,244 and these will be completed by this spring under our current schedule. That number may be less based on attrition.

Finding No. 15 – Cellular Telephones

Cell phones in the District are provided for employees to use for business purposes only and employees do sign a "Cell Phone Agreement" acknowledging and agreeing to this and if violated are subject to disciplinary action per School Board Policy. After reviewing the IRS website regarding cell phones, and as per the recommendation, we will confer with the IRS regarding the development of a policy and procedure for verifying the employee's phone billings to confirm that personal calls are not being made or received.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 16 – Review of Charter Schools

The District is reviewing its procedures for monitoring and reviewing documentation of key charter school processes, with specific attention to each charter school's insurance coverage. In the future, the process will be more effective in ensuring all required insurance is met.

Finding No.17 – Architect Insurance

District procedures carried out by the Office of the School Board Architect require architectural firms to provide professional liability insurance of $1M. A checklist will be developed to ensure that each item necessary to be completed will not be overlooked. This list will be monitored by the manager of design or his designee. This action will decrease the risk and provide adequate protection to the District from potential losses.

Finding No. 18 - Information Technology – User Application Access Controls

Pinellas County Schools (PCS) will institute periodic review of accounts that are inactive, have change of work assignment, and/or have change of other status for careful review. The Director of User Support & Core Systems will also do spot checks of 20 random accounts quarterly to verify correct access levels are assigned for network (Active Directory) and Terms.

Finding No. 19 - Information Technology – Security Controls

PCS is committed to proper and effective security controls and has already taken action on recommendations and will continue to do so where feasible and budget allows. The District recently instituted a 10 minute inactivity workstation lockout that requires users to log back into the network in order to ensure that staff member's access is not used after leaving a workstation unattended. Other specifics about security control measures taken are not prudent to discuss in this forum.

Finding No. 20 - Information Technology – Program Change Controls

The current paper process allows for signatures for change and approval from the same person even though the procedures and training of programmers does not allow this. The District is in the process of implementing a new online SSR and change control log. The new online system will have business and change management rules built in that will not allow changes to forward without proper approval.

Finding No. 21- Information Technology – Terminated Employee Access

This finding has resulted in the MIS department including access control changes as part of the online SSR and change control system. All changes to access to major systems (network (AD), Terms, and Student Information System) will be logged through creation and completion of tickets in this new system. Supervisors and Principals will be reminded that terminated employees must be reported to MIS within 24-hours via this online process. There will also be a report of terminated employees generated by MIS to check to make sure that access has been disabled.

Pinellas County District School Board Responses Fiscal Year Ended June 30, 2008

Finding No. 22- Information Technology – Security Awareness Training

Pinellas County Schools MIS has formed a security team to identify threats and look for solutions. This team has also agreed to produce online training and district wide communications about known threats to security to raise awareness. In addition to the dynamic set of threats to security, the email update and the accompanying online training will specify in details specific to PCS systems unacceptable uses of passwords or accounts; prevention of viruses; confidential information; and penalties for non-compliance. PCS agrees with the Auditor General that awareness is a key component to the success of security measures and is fully committed to raising such awareness through increased efforts in this area.

Finding No. 23 - Information Technology – Disaster Recovery

The District has been actively pursuing partnerships to provide a facility for off-site backup and a connection to that facility that will be viable for the massive amount of data that would need to be sent. Although this has been a challenge given recent budgetary constraints, PCS will continue to attempt to find a partner that can provide a back-up site for storage of data offsite and ability to provide for some continuity of operations should a disaster occur.

Federal Awards Findings

Finding No. 1- Level of Effort Supplement not Supplant

District systems and practices were reviewed following receipt of the Federal Title I monitoring report in 2008, resulting in the following improvements and modifications to District oversight of the Title I program expenditures.

- A school nurse position is no longer funded by Title I as of the 08-09 fiscal year.
- Plant operators paid with Title I funds are responsible for cleaning and maintaining only facilities that serve the Title I program. Supervisor oversight ensures documentation to that effect.
- Staff developers paid with Title I funds serve only Title I schools. Supervisor oversight ensures documentation to that effect.
- Staff developers paid with District operating funds serve Title I and non-Title I schools equitably. Supervisor oversight ensures documentation to that effect.

Finding No. 2- Special Tests and Provisions—Highly Qualified Teachers

District systems and practices were reviewed following receipt of the Federal Title I monitoring report in 2008, resulting in the following improvement and modification to District oversight of the Title I program expenditures.

- The District identifies and monitors compliance with NCLB HQT requirements for part-time/hourly teachers of record delivering core academic Title I services in private schools, using the same process that is used for monitoring compliance in all other HR areas of the District. Administrator oversight ensures documentation to that effect.

Most recent quarterly report of investment portfolio available online.

DATE: July 28, 2009.

TO: MEMBERS OF THE SCHOOL BOARD OF PINELLAS COUNTY

FROM: JULIE M. JANSSEN, ED.D., SUPERINTENDENT

RE: Request Approval of the Investment Portfolio Financial Statements for the Quarter Ended March 31, 2009

RATIONALE:

Continuing investment activities have a positive impact on interest earnings.
STRATEGIC DIRECTION/GOAL: Effective and Efficient Operations

ALTERNATIVES:

1. Approve the financial statements.
2. Do not approve the financial statements.

RECOMMENDATION:

Alternative 1 is recommended.

BACKGROUND:

The most recent quarterly unaudited financial statements of the Board's investment activities are included herein. The Board's approval of this approach to investments has resulted in greater investment income than previously obtainable. The format includes comparative information with respect to earnings performance. The actual and Pro Forma information are condensed to facilitate comparisons.

IMPACT STATEMENT:

The Managed Investment Program (MIP) earnings for the quarter ended March 31, 2009 totaled a $2,717,064 after recognizing a market value adjustment of $701,672 (as noted in footnote 2 of the Quarterly Statements). The State Board of Administration potential alternative for the current quarter ended was $1,284,162. For the quarter, the MIP out performed the State Board of Administration by $1,432,902. The MIP earnings have exceeded the potential State Board of Administration by $18,796,307 since inception (as noted in footnote 3). The District's MIP currently has an unrealized market loss of $6,563,824. Since the District's policy is to buy and hold securities, this loss will eventually be returned as principal is returned, or bonds mature. If the District's bonds were priced at par (100) as of March 31, 2009, the District's cumulative return over the SBA would be $25,360,131.

DATA SOURCE:

Lansing K. Johansen, Chief Business Officer
Andrew S. Jacobsen, Manager, Cash & Investments
Investment Oversight Committee (6/29)

SUBMITTED BY:

Lansing K. Johansen, Chief Business Officer

attachment

School Board of Pinellas County, Florida
Managed Investment Portfolio Statements
Unaudited

March 31, 2009

Table of Contents

Statements produced by:
Cash Management Department

School Board of Pinellas County, Florida
Managed Investment Portfolio - Asset Value and Income Statement
Unaudited

March 31, 2009

Portfolio Assets	3/31/2009		6/30/2008
Investment in U.S. Treasury and Agency Securities:			
Investments (securities at market value)	$396,123,120		$342,397,220
The Core Fund	35,449,157		37,033,890
State Board of Administration Fund B	1,346,757		
Accrued Interest Receivable and Prepaid Interest	748,891		796,815
Total U.S. Treasury and Agency Securities	$433,667,925		$380,227,925
Cash Investments			
State Board of Administration LGIP	23,169		17,628,769
Money market funds	62,460,337		5,050,046
Bank accounts (DDA & MMA)	12,061,341		16,694,251
Total Cash Investments	$74,544,847		$39,373,065
Total Managed Investment Portfolio Value	$508,212,772		$419,600,990

Portfolio Income	Quarter Ended 3/31/2009	Fiscal Y-T-D 3/31/2009	Prior Fiscal Year 6/30/2008
Net increase/(decrease) in fair value of investments - Note 2	$502,692	($3,733,482)	$1,052,125
Interest Revenue			
U.S. Government Securities (includes Accrued Interest)	2,099,809	7,813,301	17,127,347
SBA Trust Pool & MMFs	67,891	511,216	1,163,443
Interest Income from bank accounts	46,672	210,070	1,143,935
Total Managed Investment Portfolio Income	$2,717,064	$4,801,105	$20,486,850
Average Investment Value of Managed Investment Portfolio	$615,116,915	$475,749,857	$667,471,404
Annualized Rate of Return on the Average Managed Investment Portfolio - Page 5	1.79%	1.34%	3.07%
Annualized Pro-Forma Rate of Return on Average Alternative Investment in SBA - Page 5	0.85%	1.38%	2.76%
Total Income (from above)	$2,717,064	$4,801,105	$20,486,850
Proforma Earnings (SBA alternative - Page 7)	$1,284,162	$4,916,216	$18,391,201
Income above/(under) SBA alternative	**$1,432,902**	**($115,111)**	**$2,095,648**

The notes on page 2 are an integral part of this statement.

School Board of Pinellas County, Florida
Managed Investment Portfolio - Notes to Quarterly Statement
Unaudited

March 31, 2009

Note 1 - Securities Valuation - Portfolio at March 31, 2009

Starting June 30, 1997, Investments are valued at current market value. Prior to August 12, 1992 all cash was invested with the SBA. The Managed Investment Program (MIP) refers to assets actively managed for greater interest and capital gains income, including some amounts held at SBA for proper timing of investment decisions. Amounts at the SBA, banks, and money market funds for current needs are referred to as Cash Investments. Generally speaking, bonds are pricing by comparing the coupon on each bond with the corresponding yield offered for a similar bond on the open market. When the coupon on a bond is fixed and market rates rise, the market value of that bond will fall. When rates rise, the market value will increase. The market value of bonds with variable rates will tend to be more stable since the coupon periodically resets to current market rates. Bonds with call features will tend to have greater swings in market value depending on whether market interest rates make it more likely, or less likely, that the call is exercised. Mortgage-backed bonds have scheduled principal payments and unscheduled pre-payments of principal. The market value of these bonds will tend to fluctuate (inversely) with market interest rates, however, the market value will also fluctuate depending on whether prepayments of principal speed up or slow down.

Note 2 - Calculation of Net increase/(decrease) in fair value of investments

The Governmental Accounting Standards Board (GASB) Statement 31 requires that all Governmental entities must adjust the book value of their investment securities to current market value. The amount of the adjustment, positive or negative, will be added to or subtracted from the income for the reporting period. The only securities exempted from this adjustment are: 1) those that have a fixed interest rate and a set maturity date, at purchase, of one year or less, and 2) those that cannot be reasonably priced and are of insignificant value. Investments in money market funds are also exempt. The securities in the District's portfolio that are exempt from GASB Statement 31, are described below. Any securities that are exempt from GASB Statement 31 will continue to appear on the District's books at amortized cost.

The District receives a market value report from a third party vendor each month. On a quarterly basis this report is used to calculate the amount of the market value adjustment. On March 31, 2009 the book value of each security was compared to the market value. The difference for each security was applied to the book value so the new book value matched the current market value. A like adjustment was made to investment income for the quarter.

Currently most of the District's investments meet the requirement for market value adjustment. The District also owns, in varying amounts, other securities that are exempt because they have fixed interest rates and maturities, at purchase, within one year. The District's investment in the SBA and money market funds are also exempt. The table below shows the breakdown of the realized gains and losses and the market value adjustment:

	Quarter Ended 3/31/09	Fiscal Y-T-D 3/31/09	Prior Fiscal Year
Realized Gains/Losses	(198,980)	(5,304,865)	(1,379,623)
MV Adjustment for Period	701,672	1,571,382	(3,024,438)
Net Increase/(Decrease) in fair value of investments	502,692	(3,733,482)	(4,404,060)

Note 3 - Cumulative Return Over the SBA

For the 9 months ending 3/31/09, the MIP, including the GASB 31 adjustment, had a return under the State Board of Administration's (SBA) investment pool of $115,111. Since August 1992, the MIP has had a cumulative return over the SBA's investment pool of $18,796,307. The method of comparison to the SBA used in December and March has been changed. For the prior two quarters, the market value adjustment to the SBA Fund B accounts was taken into consideration. For December we have excluded that adjustment and restated the cumulative comparison figure for the December and March quarters. The adjustment, for the December and March quarters, to the return over the SBA was a negative $10,180,514.68.

Note 4 - Effect of Unrealized Gains/Losses on Income

The District's MIP currently has an unrealized market loss of ($6,563,824). Due to GASB Statement 31, the effects of this loss has been netted against interest income. Since the District's policy is to buy and hold securities, this loss will eventually be returned as principal is returned, or bonds mature. If all the District's bonds were priced at par (100) as of March 31, 2009 the District's cumulative return over the SBA would be $25,360,131.

Note 5 - Ratings on Mortgage Backed Securites (MBSs) and Collateralized Mortgage Obligations (CMOs)

MBS and CMO bonds owned by the district are not rated by any rating agency. However, due to the fact that these bonds are collaterallized or otherwise backed by the underlying mortgage guarantee, these bonds are treated as if they were AAA rated bonds.

Note 6 - Prior period adjustments

A combination of entry errors and "bugs" in the software used to track the portfolio have cause minor reporting errors to previous quarterly reports. These errors are being corrected on this report. Refer to Quarterly Report reconciliations for detail.

School Board of Pinellas County, Florida
Managed Investment Portfolio - Total Investment Value
Unaudited

March 31, 2009

Security Description	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
Money Market Portfolio - 32.78%							
Concord Minutemen Capital CP	19,994,067	19,994,067	0	0	$19,994,067	A1	0.09
Concord Minutemen Capital CP	24,968,917	24,968,917	0	0	$24,968,917	A1	0.18
Fountain Square CP	14,993,819	14,989,319	(4,500)	0	$14,989,319	A1	0.12
Fountain Square CP	24,949,037	24,949,037	0	0	$24,949,037	A1	0.14
FHLB 2.25%	23,191,665	23,191,665	0	257,313	$23,448,977	AAA	0.58
FHLB 2.625%	10,041,501	10,041,501	0	80,938	$10,122,438	AAA	0.27
FHLMC 0.91%	48,000,000	48,000,000	0	94,640	$48,094,640	AAA	0.86
subtotal	$166,139,004	$166,134,504	($4,500)	$432,890	$166,567,394		0.42
Federal Agency Debentures - 1.21%							
FHLB 4.95%	6,043,281	6,062,588	21,306	67,763	$6,130,350	AAA	0.27
subtotal	$6,043,281	$6,062,583	$21,306	$67,763	$6,130,350		0.27
Corporate ABS - 18.32%							
Advanta Bus. Card Trust 06-A3 A3	6,260,186	6,142,814	(117,372)	10,186	$6,153,000	AA	0.20
Americredit Auto Trust 06-AF A3	3,609,713	3,609,713	0	13,896	$3,623,609	AAA+	0.19
BMW Veh. Lease Trust 07-1 A2A	650,943	650,985	42	1,346	$652,331	AAA	0.04
Capital Auto Rec. Trust 07-SN2 A2	5,463,875	5,430,083	(33,792)	3,275	$5,433,358	AAA	0.07
Capital One Auto Trust 06-C A3A	1,516,154	1,485,311	(30,843)	3,418	$1,488,730	BBB	0.28
Capital One Auto Trust 07-A A3A	1,255,970	1,229,145	(26,825)	2,933	$1,232,079	A	0.07
CPS Auto Trust 07-C A2	543,538	540,942	(596)	1,309	$542,252	AAA	0.06
Charming Shoppes Trust 04-1A A	1,934,734	1,934,740	6	788	$1,935,528	AAA	0.31
Daimler-Chr. Auto Trust 07-A A3A	32,744,626	32,112,850	(631,776)	106,215	$32,219,065	AAA	0.98
GE Dealer Floorplan Trust 06-1 A	4,919,090	4,972,600	53,510	925	$4,973,525	AAA	0.05
GE Dealer Floorplan Trust 06-3 A	3,815,785	3,712,975	(102,810)	733	$3,713,708	AAA	0.13
Household Auto Trust 05-3 A3	1,264,844	1,265,571	727	2,363	$1,267,934	AAA	0.08
Nat Coll. Student Ln Trust 07-2 A1	21,768,113	19,585,446	(2,182,667)	2,420	$19,587,866	AAA	0.00
Turquise Card Backed Sec 06-1A A	1,556,593	1,556,592	(1)	403	$1,556,995	AAA	0.12
Turquise Card Backed Sec 07-1 A	1,212,623	1,212,627	4	345	$1,212,972	AAA	0.00
UPFC Auto Trust 07-B A2	6,102,257	6,094,135	(8,122)	15,754	$6,109,888	A	0.14
Volkswagen Auto Trust 07-1 A3	213,072	213,479	407	339	$213,817	AAA	0.17
World Fin Credit Card Trust 04-A A	1,188,509	1,193,220	4,711	393	$1,193,613	AAA	0.12
subtotal	$96,018,624	$92,943,230	($3,075,394)	$167,039	$93,110,269		0.40

School Board of Pinellas County, Florida
Managed Investment Portfolio - Total Investment Value
Unaudited

March 31, 2009

Security Description	Book Value	Market Value	Unrealized Gain/Loss	Prepaid & Accrued Interest	Total Investment Value	Rtg	Mod. Dur.
Federal Agency MBS CMOs - 3.09%							
FHR 3318 ZL	66,902	67,121	219	308	$67,429	AAA	0.04
FHR 3312 ZL	425,289	426,390	1,101	1,856	$428,247	AAA	0.04
FHR 2886 PH	4,274,204	4,241,735	(32,469)	13,673	$4,255,408	AAA	0.49
FHR 2595 GR	1,484,935	1,518,027	33,092	5,520	$1,523,547	AAA	0.59
FHR 2895 FJ	703,233	704,531	1,298	2,290	$706,821	AAA	1.51
FNW 04-W1 1A4	4,021,980	4,103,463	81,483	18,388	$4,121,851	AAA	0.43
SBA #507179	4,605,819	4,592,122	(13,697)	4,863	$4,596,986	AAA	5.40
subtotal	$15,582,361	$15,653,389	$71,028	$46,899	$15,700,288		1.95
Federal Agency FR MBS CMOs - 22.70%							
FHR 3292 FB	4,221,638	4,095,632	(126,006)	1,519	$4,097,151	AAA	1.44
FHR 3344 FT	11,713,998	11,940,005	226,007	4,864	$11,944,868	AAA	1.64
FNR 07-13 FA	6,980,856	6,713,216	(267,641)	901	$6,714,116	AAA	2.03
FNR 07-86 FY	4,859,982	4,755,152	(104,830)	949	$4,756,101	AAA	1.70
FNR 07-35 PF	37,535,269	36,770,912	(764,358)	4,900	$36,775,812	AAA	1.46
GNR 07-68 PF	7,262,231	7,021,993	(240,239)	1,987	$7,023,979	AAA	1.35
GNR 08-60 LF	9,693,212	9,420,215	(272,997)	3,381	$9,423,596	AAA	1.30
GNR 08-62 PF	14,322,963	13,945,131	(377,832)	4,356	$13,949,487	AAA	1.64
GNR 08-47 EF	21,093,517	20,667,154	(426,363)	11,445	$20,678,600	AAA	1.74
subtotal	$117,683,566	$115,329,409	($2,354,257)	$34,301	$115,363,710		1.57
Cash, MMFs, & Investment Pools - 21.91%							
Morgan Stanley MMF	31,000,762	31,000,762	0	0	$31,000,762	AAAm	0.00
The Core Fund	35,755,128	35,449,157	(305,971)	0	$35,449,157	AAAf	0.00
Bank Accts (DDA & MMA)	12,061,341	12,061,341	0	0	$12,061,341		0.00
SBA Fund B	2,262,793	1,346,757	(916,036)	0	$1,346,757		0.00
SBA LGIP	23,169	23,169	0	0	$23,169	AAAm	0.00
Custody MMF	31,459,575	31,459,575	0	0	$31,459,575	Aaa	0.00
subtotal	$112,562,768	$111,340,761	($1,222,008)	$0	$111,340,761		0.00
Managed Investment Program	$514,027,705	$507,463,881	($6,563,824)	$748,891	$508,212,772		0.63

Unrealized Gain/Loss as a percent of total market value: -1.29%

* Rating agency has placed security on downgrade watch.

School Board of Pinellas County, Florida
Managed Investment Portfolio - MIP vs. Proforma Rate of Return Comparison
Unaudited

March 31, 2009

	Quarter Ending 3/31/2009	Fiscal Y-T-D 3/31/2009	Prior Fiscal Year 6/30/2008
Average Investment	$615,116,915	$475,749,857	$667,471,404
Annualized Rate of Return Calculation			
Net Increase/(Decrease) in fair value of investments	502,692	(3,733,482)	1,052,125
Interest Earned:			
Collected:			
Securities	2,099,809	7,813,301	17,127,347
SBA Trust Pool & MMFs	67,891	511,216	1,163,443
Income from Sweep to MMF - Demand Accs	46,672	210,070	1,143,935
Total Interest Earned	$2,214,372	$8,534,588	$19,434,724
Total Managed Investment Portfolio Earnings	$2,717,064	$4,801,105	$20,486,850
Annualized Rate Of Return	**1.79%**	**1.34%**	**3.07%**
Proforma Investment in SBA			
Proforma Interest Earnings:			
Period Accumulation		3,632,054	18,391,201
1/31/2009	423,167	423,167	0
2/28/2009	448,277	448,277	0
3/31/2009	412,718	412,718	0
Total Proforma SBA Interest Earnings	$1,284,162	$4,916,216	$18,391,201
Proforma Annualized Rate Of Return	**0.85%**	**1.38%**	**2.76%**

School Board of Pinellas County, Florida
Managed Investment Portfolio - Risk Disclosures
Unaudited

March 31, 2009

Credit Risk

	Market Value	Average Rating
Corporate Commercial Paper	$84,901,339	A1
Agency Fixed Coupon Debentures	$87,295,753	AAA
Corporate Asset Backed Securities	$92,943,230	AAA
MBS CMOs	$11,061,266	AAA
MBS Floating Rate	$64,274,916	AAA
Investment Pools & MMFs	$109,994,004	AAAm
Exempt Investments	$55,646,615	
Non-compliant Investment	$1,346,757	
Totals	$507,463,881	

Securities in the Exempt category include U.S. Government obligations and obligations with an explicit U.S. Government guarantee. The non-compliant category consists of the district's investment in SBA Fund B accounts. This investment is frozen by the SBA. Funds are distributed as they mature. The district's Funds Management Policy (7.24) permits investments in US government and US government guaranteed bonds, Federal agency (Government Sponsored Enterprise, GSE) bonds, bonds collateralized with hard assets, and short-term, money market investments. The district has $92,943,230 in corporate asset-backed securities. The credit enhancements, short duration, and, for the most part high, ratings of these bonds demonstrate the safety and liquidity of these bonds. While four of these bonds do not have the highest rating, the extremely short duration (average of 0.17 years) of these bonds make it highly likely they will pay off in full.

Concentration of Credit Risk

Issuer	Percent of Total	Issuer Full Name
Exempt	32.88%	
FHLMC	14.01%	
FNMA	10.31%	
CMSERA	8.85%	Colonial Minutemen CP
FOUNSQ	7.86%	Fountain Square CP
FHLB	7.76%	
DCAT 2007-A	6.32%	Daimler-Chrysler Auto Trust

Securities exempt from Concentration of Credit Risk disclosure include U.S. Government obligations and obligations with an explicit U.S. Government guarantee, in addition, external investment pools and MMF investments are also exempted. The district's Funds Management Policy permits investments in US government and US government guaranteed bonds, Federal agency (Government Sponsored Enterprise, GSE) bonds, bonds collateralized with hard assets, and short-term, money market investments. For this reason, the Investment Policy does not separately address concentration of credit risk. The Manager, Cash & Investments is allowed to invest up 5% of the total portfolio value in bonds that are not otherwise permitted under the Funds Management Policy. The concentration risk of these investments is 5%.

School Board of Pinellas County, Florida
Managed Investment Portfolio - Risk Disclosures
Unaudited

March 31, 2009

Interest Rate Risk

Category	Market Value	Mod. Dur.
Corporate ABS	92,943,230	0.40
Exempt	246,741,939	0.12
Federal Agency FR MBS CMOs	115,329,409	1.57
Federal Agency MBS CMOs	15,653,389	1.95
Investment Pool	36,795,914	0.00
Portfolio	507,463,881	0.63

The district's Funds Management Policy requires the average duration of the portfolio to be less than five years.

Modified Duration

Modified duration of a security expresses the amount of time in years until the principal is returned. This calculation takes into account the coupon rate, interest and principal payment frequency, call options, and sensitivity of price to changes in interest rates. Factors that extend the return of principal, or make it more time uncertain, increase the duration. Factors that quicken the return of principal, or make it more time certain, decrease the duration. Duration will also change as the level of interest rates in the economy rise and fall. With the current level of interest rates, the above table indicates that the district will receive 100% of invested principal in 0.63 years, or 7.56 months.

Floating/Adjustable Interest Rate Risk

The district currently has $154,927,693 invested in securities with floating or adjustable interest rate risk. $154,927,693 is invested in floating rate bonds. The coupon on these bonds resets monthly based on an index rate. The coupons on these bonds range from 0.56% to 1.34%.

Call Option Risk

There are three types of call options, "one-time" calls, "discrete" calls and "continuous" calls. These are listed in order of increasing risk. A one-time call means that at one specified time before maturity the issuer of a bond has the option to call the bond, or buy it back from investors. A discrete call means that at specific times, usually either quarterly or semi-annually, before maturity, the issuer can call the bond. A continuous call means that starting at a specified point in time, usually an interest payment date, and at any time thereafter, up to the maturity date, the issuer can call the bond.

Currently the district has $54,062,588 invested in callable bonds. $48,000,000 of these bonds have a one time call on 7/13/09. The remaining $6,062,588 has a continuous call starting on 7/9/09.

MBS Prepayment Risk

There are two types of Mortgage-Backed Securities (MBSs) in which the district invests. Agency pools are collections of mortgages in which the investor receives the principal and interest payments in the same proportion as the homeowner pays them. CMO bonds are backed by mortgages, however, the principal paydown of the bond has been altered to be either more or less time certain than the underlying mortgages.

MBSs have a unique type of "call" risk, in that homeowners may opt to prepay their mortgage at any time. While there are many factors which determine whether a homeowner will prepay their mortgage, one of the most significant is the level of interest rates. When rates fall it is more advantageous to the homeowner to refinance their mortgage to a lower rate. When rates rise, this type of prepayment will decrease.

The district's CMO bonds range in duration from 0 years to 5.4 years.

7.24 MANAGEMENT OF SCHOOL BOARD FUNDS

(1) AUTHORITY

The Superintendent (or designee) is authorized to make transfers from financial institution to financial institution or within a financial institution for the purpose of investing or divesting School Board funds. For the purposes of this policy, the term "financial institution" has the same definition of Section 280.02(13) F.S.

The Manager, Cash & Investments, under the supervision of the Chief Business Officer, is appointed as designee of the Superintendent and is authorized and empowered for and on behalf of the School Board of Pinellas County, Florida, to a) conduct investment transactions in accounts at financial institutions as provided under subparagraph (11) "Authorized Investment Institutions and Dealers," and b) conduct other banking/financial transactions in financial institutions designated as Qualified Public Depositories under Section 280.02(26) F.S. Accounts at said institutions shall be established by two signatures of the Chief Business Officer, Assistant Superintendent, Finance and Business Services or Director, Accounting.

(a) Investment Transactions. The Manager, Cash & Investments, under the supervision of the Chief Business Officer, shall have the authority, under the conditions set forth herein, to make individual investment decisions and to direct the Third Party Custodian to act on said decisions, consistent with this policy.

(b) Banking/Financial Transactions. The Manager, Cash & Investments, under the supervision of the Chief Business Officer, shall have the authority, under the conditions set forth herein, to establish services and execute transactions to, from, and between established School Board accounts, consistent with this policy.

(c) Facsimile Signatures. The Manager, Cash & Investments, under the supervision of the Chief Business Officer, shall be designated, under the conditions set forth herein, as the custodian of the facsimile signatures of the Superintendent and Chairman of the School Board. As custodian, the Manager, Cash & Investments will oversee the creation of any device or mechanism to apply said facsimile signatures to warrants drawn on School Board accounts.

Appropriate fidelity bonding will be maintained by the School Board to cover the Manager, Cash & Investments, the Chief Business Officer, and other designated staff members who are in any way involved in the movement of School Board funds from one financial institution account to another.

(2) SCOPE

The investment policy shall apply to all funds held or controlled by the School Board of Pinellas County, Florida.

(3) INVESTMENT OVERSIGHT COMMITTEE

The Superintendent shall establish an investment oversight committee whose members shall be comprised of a minimum of six individuals, three of whom shall be School Board personnel and three non-School Board personnel with relevant financial expertise. The Manager, Cash & Investments, shall serve as an ex-officio resource to the investment oversight committee. The investment oversight committee will meet at least quarterly to formulate and review the control procedures and investment performance criteria as set forth in this policy.

(4) INVESTMENT OBJECTIVES

The investment objectives of the School Board of Pinellas County, Florida, are safety of capital, liquidity of funds, and investment income, in that order.

(5) PERFORMANCE MEASUREMENT

The performance measurement objective of the School Board's investment portfolio shall be to exceed the State Board of Administration's Local Government Surplus Funds Trust Fund's yield.

(6) PRUDENT AND ETHICAL STANDARDS

The Manager, Cash & Investments, under the supervision of the Chief Business Officer, shall adopt and be guided by the "Prudent Person Rule," which states that, "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment." The "Prudent Person Rule" shall be applied in the context of managing School Board funds.

(7) AUTHORIZED INVESTMENTS

The Manager, Cash & Investments, under the supervision of the Chief Business Officer shall be empowered to invest School Board funds in:

(a) The State Board of Administration's Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in section 163.01 F.S.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest-bearing time deposits or savings accounts in Qualified Public Depositories as defined in section 280.02(26) F.S.

(d) Direct obligations of the United States Treasury.

(e) Obligations of federal agencies, Government Sponsored Enterprises, and instrumentalities.

(f) Securities of, or other interest in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided the investment objectives of said investment company or investment trust are similar to the investment objectives of this Policy.

(g) Short-term obligations commonly referred to as "money market instruments", including, but not limited to commercial paper, provided such obligations carry the highest credit rating from a nationally recognized rating agency.

(h) Asset-backed securities are permitted when either a) the underlying asset is guaranteed by the issuer, or b) the security carries the highest quality rating by a nationally recognized rating agency.

Investment instruments will have the highest quality as rated by a nationally recognized rating agency at the time of purchase. If the rating of an investment should be downgraded to less than highest quality rating, the Manager, Cash & Investments, in consultation with the Investment Oversight Committee, will decide whether the investment will be sold or retained. Mortgage-backed investments that do not carry an investment rating are permitted when the issuer falls under paragraph (d) or (e) above.

The Manager, Cash & Investments, in consultation with the Investment Oversight Committee, shall have the discretion to invest in securities that do not fall under the above categories, provided the invested value of these securities does not exceed 5% of the total value of School Board Funds, on the settlement date of said investment. Such securities must not otherwise be prohibited by State Statute or this Policy.

Investment of School Board funds shall be made 1) so as to provide sufficient liquidity to meet the obligations of the School Board as they come due and 2) in accordance with the investment objectives listed in subparagraph (4) of this Policy. The Manager, Cash & Investments will comply with the "Prudent Person Rule" as outlined in subparagraph (6) of this Policy when evaluating investments for addition to the managed investment portfolio, particularly with regard to maturity, liquidity, risk, diversification, security type, and issuer.

(8) MATURITY AND LIQUIDITY REQUIREMENTS

The maturity and liquidity characteristics of the investments in the School Board's managed investment portfolio shall be structured to provide sufficient liquidity to meet obligations of the School Board in a timely manner. The weighted average "duration" of the investment portfolio shall not exceed five years. The maturity and liquidity characteristics of the Managed Investment Portfolio as a whole and of each individual security, shall be in accordance with subparagraphs (4) and (6) of this Policy.

(9) PORTFOLIO COMPOSITION

The composition of the School Board's managed investment portfolio, with regard to security type, issuer and maturity, shall be diversified so as to 1) provide sufficient liquidity to meet obligations of the School Board in a timely manner and 2) comply with subparagraphs (4) and (6) of this Policy.

(10) RISK AND DIVERSIFICATION

The risk and diversification characteristics of the investments in the School Board's managed investment portfolio shall be structured so as to 1) provide sufficient liquidity to meet obligations of the School Board in a timely manner and 2) comply with subparagraphs (4) and (6) of this Policy. Investment strategies, including risk and diversification goals, shall be reviewed and revised periodically by the Investment Oversight Committee and incorporated into this policy as appropriate.

(11) AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS

(a) Any broker or dealer desiring to conduct securities transactions with the School Board shall be required to submit a written response to the School Board's broker/dealer questionnaire. The Manager, Cash & Investments shall be responsible for reviewing such requests and determining whether the requesting firm is qualified to conduct securities transactions with the School Board. In addition to the broker/dealer questionnaire, the Manager, Cash & Investments may also use other publicly available information necessary to evaluate the qualifications of the applicant.

(b) The Manager, Cash & Investments shall maintain an Approved Broker List of those firms that have been reviewed and deemed qualified to conduct securities transactions with the School Board. The Investment Oversight Committee will periodically review the list and recommend changes if appropriate. The Manager, Cash & Investments, shall be authorized to conduct securities transactions, in an established School Board account, with any firm on the list of qualified firms.

(12) THIRD PARTY CUSTODIAL AGREEMENTS

Securities purchased, or otherwise acquired by the School Board shall be properly designated as an asset of the School Board of Pinellas County, Florida and held in safe-keeping by a third party custodian. Said custodian shall issue trust receipts for all purchases and sales of securities in the School Board's custody account. Securities held in safekeeping shall not be withdrawn, in whole or in part, except by the Manager, Cash & Investments, under the supervision of the Chief Business Officer.

The School Board shall execute a third party custodial agreement with a bank or other depository institution, for the purpose of:

(a) Establishing a securities custody account in which securities are deposited and held by the custodian.

(b) Establishing the custodian as agent for the School Board when settling purchases and sales of securities using the delivery versus payment method.

(c) Empowering the custodian to inspect all securities delivered to the account and to verify the description, negotiability and good delivery form prior to payment.

(d) Collecting and crediting interest and dividend payments to the School Board's security account due on securities held in the account as of the payable date.

(e) Acting on the School Board's behalf in the redemption of all matured and called securities and crediting such proceeds in the custody account as received.

(f) Establishing a mechanism for the wire transfer of temporarily idle funds held in the security account to School Board accounts at other financial institutions.

(g) Establishing a mechanism of transmitting and receiving instructions via the Custodian, Securities Broker, and the School Board.

(h) Establishing the use of trust receipts as documentation for all securities transactions through the Depository Trust Company's Institutional Delivery System, the financial institution's

Federal Reserve Account or a designated financial institution which has a correspondent relationship to the School Board's third party custodian.

(i) Providing the School Board a detailed transaction statement indicating all cash entries to the security account, beginning and ending principal balances, and beginning and ending income balances for the period.

(j) Providing the School Board (monthly and upon request) an asset statement indicating description, par value, book and market value of all securities held in the account.

(13) MASTER REPURCHASE AGREEMENT

The Manager, Cash & Investments, under the supervision of the Chief Business Officer, shall be required to have a fully executed master repurchase agreement from all approved banking institutions and securities dealers' transacting repurchase agreements. All repurchase agreement transactions shall adhere to the requirements of the master repurchase agreement.

(14) BID REQUIREMENT

When appropriate, feasible and practicable, the purchase and sale of investment securities shall be competitively bid. Documentation will be retained for all bids, with the winning bid clearly identified.

(15) INTERNAL CONTROLS

The following internal controls shall be implemented to prevent loss of funds from fraud, employee error, misrepresentation by third parties, or imprudent actions by School Board employees.

(a) School Board accounts at financial institutions can only be opened and closed on two signatures of the Chief Business Officer, Assistant Superintendent, Finance and Business Services or the Director, Accounting. The Manager, Cash & Investments is prohibited from opening or closing School Board accounts.

(b) Transactions in, from and between School Board accounts can only be executed by the Manager, Cash & Investments, or his/her backup.

(c) The School Board shall receive two copies of all transaction confirmations and investment account statements. One copy will be sent to the Manager, Cash & Investments and retained in the cash management department files. The second copy will be sent under separate cover to the Chief Business Officer. The Chief Business Officer will review the confirmations and statements, initial them and return them to the Manager, Cash & Investments for retention in the cash management department files.

(d) When the Manager, Cash & Investments completes a trade with a broker, the broker will immediately send the trade details to both the Manager, Cash & Investments and the School Board custodian.

(e) On a monthly basis, the staff accountant will reconcile all School Board money market accounts and the custodial account, the Manager, Cash & Investments will review the reconciliations and the Chief Business Officer will review and approve them. All three individuals will sign the cover page and the document will be placed in the cash management files.

(f) In addition to the annual audit of the School Board there will be a separate audit of the managed investment program. This audit is presented to the Investment Oversight Committee and is available for School Board review.

(g) The Manager, Cash & Investments reports to the investment oversight committee ex officio. The committee reviews the investment activities of the Manager, Cash & Investments for compliance with this policy and the "Prudent Person Rule".

(16) CONTINUING EDUCATION

The Manager, Cash & Investments shall complete eight (8) hours annually of continuing education classes in subjects or courses of study related to cash management and/or investment practices and products.

(17) INVESTMENT PERFORMANCE AND REPORTING

The investment portfolio's performance shall be reported to the Investment Oversight Committee through a set of reports, the contents of which are described below, on a quarterly basis. Said reports shall also be presented to the School Board at a regularly scheduled School Board meeting. Reports shall include the following:

(a) Asset Value and Income Statement for the current quarter, fiscal year-to-date, and prior fiscal year.

(b) Notes to Value and Income Statement.

(c) Period ending portfolio statement inclusive of security type and description, book value, market value, book value versus market value comparison, prepaid and accrued interest to date, and the total value of each security as well as the total value of all securities.

(d) Management Investment Program Income and Rate of Return Statement for the current quarter, fiscal year-to-date, and prior fiscal year.

(e) Pro forma Income and Rate of Return Statement for the alternative State Board of Administration investment for the current quarter, fiscal year-to-date, and prior fiscal year.

(f) Any other reports the investment oversight committee or School Board deems necessary, as well as those required by regulatory agencies.

(18) SALE OF SECURITIES

When the School Board invested funds are needed in whole or part for the purposes originally intended or for more optimal investments, the Manager, Cash & Investments may sell such investments at the then prevailing market prices and place the proceeds into the proper School Board account or fund.

(19) REVERSE REPURCHASE AGREEMENTS

The School Board may enter into a reverse repurchase agreement with any firm on the list of qualified firms as defined in subparagraph (11) of this Policy or a Qualified Public Depository as defined under section 280.02(26), F.S., not for the purposes of increase leverage, but for legitimate funds management purposes only. The use of reverse repurchase agreements shall be limited to transactions in which the proceeds are intended to be used for liquidity and for which the School Board staff has sufficient resources and expertise to manage.

(20) ELECTRONIC TRANSFER OF FUNDS

School Board funds may be moved into, out of, and between any School Board account by electronic means, including Fedwire, ACH, or any other method as may be developed and put into practice by financial institutions for the purposes of transferring money between accounts or between financial institutions. Movement of School Board funds by electronic means shall comply with Chapter 668, F.S.

School Board funds shall only be electronically transferred for the following reasons:

(a) payment of legitimate obligations incurred in the course of School Board business,

(b) receipt of School Board revenue from local, State, and Federal sources,

(c) settlement of investment transactions, e.g. purchases, sales, or principal and interest distributions,

(d) transfers between School Board accounts as needed for legitimate funds management activities.

The Manager, Cash & Investments, or his/her backup, will execute electronic transfers of funds through qualified financial institutions as defined in section (1) of this Policy. The Manager, Cash & Investments shall properly account for such transactions in the School Board's general ledger system.

(a) Fedwires

a. Fedwires between School Board accounts can be initiated and approved by the Manager, Cash & Investments.

b. Repetitive templates of Fedwire instructions to non-School Board accounts shall be established by a School Board employee, who is not a member of the Cash Management Department, using software provided by the School Board's financial institution. The Manager, Cash & Investments shall be prohibited from altering such repetitive templates.

c. Fedwires to non-School Board accounts can be initiated and approved by the Manager, Cash & Investments, provided repetitive templates, as established in paragraph b. above, are used.

(b) ACH transactions

a. Authorized School Board vendors will be paid only via ACH Credit transactions. An ACH Credit transaction is where money is sent from a School Board account to the School Board vendors appropriate bank account.

b. ACH Debit transactions are prohibited, unless the counterparty to the transaction is another governmental entity. An ACH Debit transaction is where money is retrieved from a School Board account by the counterparty's financial institution.

c. Authorized School Board vendors to be paid via ACH will be set up to receive such payments in the School Board's general ledger system by Accounting Department personnel.

d. Payment of employees wages via Direct Deposit will comply with procedures established by the Payroll Department.

(c) Other Electronic Funds Transfer transaction types

Other electronic funds transfer transactions, through either an established method or any method that may be developed in the future, are permitted, so long as such transactions are structured so that School Board funds may not be transferred to non-School Board accounts at the sole discretion of the Manager, Cash & Investments. Instructions to transfer funds electronically, to non-School Board accounts, shall be established by a School Board employee who is not a member of the Cash Management Department. Said instructions can then be used by the Manager, Cash & Investments to execute an electronic transfer of funds.

Statutory Authority: 1001.32(2), 1001.41, 1001.42, 1001.43 F.S.
Laws Implemented: 163.01, Chapter 668, 1010.11 F.S.
Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq.
History: New 11/17/71; Revised 12/18/74, Amended 7/22/92 (Emergency), 8/26/92, 8/11/93, 11/15/95, 4/16/02, 4/10/07
Note: Formerly 6Gx52-4.16 (changed 6/30/98).

Agenda Item 2

Tiny Miami-Dade city in the bay still exists -- at least on paper

JOE MOZINGO
The Miami Herald
Published Monday, February 24, 2003

ISLANDIA – Despite official mutterings of its death, the smallest city in Florida clings to life -- frail, scorned and half-submerged in the iridescent shallows of Biscayne Bay.

But you could excuse those who couldn't find a pulse.

Islandia -- 33 specks of land just north of Key Largo -- hasn't had an election in a decade or a City Council meeting in more than a year. It has no infrastructure and boasts perhaps five adult residents. Just the expense of writing up its annual budget would cost more than the annual budget. And city Finance Director Steve Sibert can't say with certainty whether there is a mayor anymore.

He even hesitates about the city itself.

"It still exists," Sibert said. "Well, as far as I know."

Islandia never really breathed life as a fully functioning city, of course. Incorporated in 1960 with almost no one there, it was more a dream that didn't happen, a nightmare that almost occurred.

It was a plat-map promise of what could rise from an arthritic finger of limestone in the upper Florida Keys: glass, steel and concrete sailing into the pale scud clouds over the Gulf Stream, a wonderful, salable vision created by the real estate artists who used the Florida peninsula as a canvas.

But after four decades of color and controversy, the grandiose spirit of Islandia is gone, even if Miami-Dade County's archipelago city survives on paper.

The last elected "mayor" went bankrupt a decade ago and moved to Colorado, where he promptly won the lottery. The City Council that played pretend at government for decades no longer gets to hold its illegal elections. Even the man who showed up one day at Biscayne National Park headquarters near Homestead sporting a sidearm and proclaiming to be the police chief of Islandia is off the payroll.

"Legally, they're still on the books," said Rip Colvin, an analyst for the state Joint Legislative Auditing Committee, who tried unsuccessfully to reach Islandia officials several times in recent months. "But they're not a functioning city."

Last year, then-state Rep. Annie Betancourt figured that the city had more or less died and tried to wipe it off the books, but found that only the Miami-Dade County Commission could "de-corporate" a city. And no one there has taken up the cause. Dissolution would be just a formality, really.

Islandia has spent its recent years as just a phantom of its former self -- diminished to a few gaunt, privately owned acres, swallowed by Biscayne National Park. No hope for a causeway connecting it to the mainland. No harbor, no six-lane Elliott Key Boulevard, no real estate boom, no cash.

Town Clerk Will Murphy runs the city from his law office in Hollywood. "I can't remember the last meeting," he said.

Would he fight a movement to get rid of Islandia? "I don't know. I wouldn't have any personal motive to contest it."

It is a sad circumstance for a city with such a famously -- or infamously -- colorful past.

For the growing urban center that Miami was in 1960, having 33 stunningly pristine coral islands a bridge-length from Key Biscayne was bound to put a glimmer in builders' eyes.

The main island, seven-mile-long Elliott Key, was a gorgeous tropical hammock of hardwoods and broad-leaf green – great mahoganies, gumbo limbos and native wild tamarinds, entwined in canopies of morning glory and moon flowers.

Submerged in the gin-clear water just beyond lay the northern end of the world's third-largest coral reef.

Perhaps it was because the developers' plans to change all of this were so audacious – and raised such alarm among conservationists – that Elliott Key is almost exactly the same today, a world away from the metropolis.

"Look how beautiful it is out here," said Jorge Acevedo, a park service ranger, on a recent visit. As he pointed to a bed of moon flowers, which bloom only in the moonlight, or whipped around to spot a warbler, or lamented the dried-out purple bladder of a Portuguese man-of-war, it was clear that his years of work on these islands have not dulled his sense of wonder.

Islandia was established on Dec. 6, 1960, by 12 votes of voters in a referendum, in an effort to build a causeway across the bay. Soon, plans for luxury hotels, golf courses and oceanfront homes loomed over the unpopulated keys.

But conservationists fought the causeway idea, and the U.S. Interior Department started seeking to purchase the islands. A long battle ensued. At one point, landowners graded a 120-foot-wide swath down Elliott Key, which they said would become a six-lane Elliott Key Boulevard. But Islandia became a national monument in 1968.

The federal government bought up much of the property, and all hopes for a causeway died.

The giant clearing now called Spite Highway eventually sprouted trees again, leaving only a nice hiking trail.

The paper city of Islandia lived on. People could still own and buy property on the tiny Ragged Keys, just north of Elliott Key, and a few others.

Jack Pyms, a real-estate broker, bought one of the Ragged Keys. He built a little split-level clubhouse on a barge for his boat club, and was elected mayor in 1975.

"It was so enjoyable out there," he said. "My kids literally grew up on that island on weekends."

And plans for development were still in the works.

But the city's unraveling began one day in 1989, when Islandia's few voters got together and decided to elect a police chief, Robert Causey.

Soon after, Causey, sporting a makeshift uniform and bearing a sidearm on his hip, showed up one day at Biscayne National Park.

He informed the head park ranger that he was the newly elected police chief of Islandia and that he planned to enforce the law.

Dubious, the ranger called the state attorney's office, which launched an investigation. By January 1990, the state determined that all of Islandia's elections were illegal because only landowners were allowed to vote -- not people actually living on the islands.

Pyms, meanwhile, went bankrupt. A bank foreclosed on his island, Ragged Key No. 5. His clubhouse on a barge became infested with worms and sank somewhere off Soldier Key. Within a year of the state attorney's report, he moved to Colorado, and won the state's $5.8 million lottery.

Agenda Item 3

Benefits from Statewide Cable and Video Franchise Reform Remain Uncertain

A presentation to the Joint Legislative Auditing Committee

January 11, 2010

Mary Alice Nye, Ph.D.
Chief Legislative Analyst

Conclusions

- 26 companies have received state franchises
- New companies are gradually offering more services and the number of subscribers has increased slightly

Conclusions

- Data needed to assess impact of statewide franchising on competition are not available
- The Legislature may wish to change state law to address industry reluctance to provide data on services and subscribers

Background

- Cable television systems developed in the 1940s
- Local governments established franchise agreements
  - To control access to rights of way
  - To establish various requirements for companies

Background

- Some states are moving to statewide franchising for cable and video services
  - 20 states have passed laws since 2005
  - The 2007 Florida Legislature passed the Consumer Choice Act

Current Structure of Cable and Video Services Regulation

- Local Governments
  - Franchise agreements terminated in some areas, continued in others
  - Local governments retain authority for some issues, such as rights-of-way

Current Regulation

- The new law gives three agencies responsibilities
  - Department of State,
  - Department of Agriculture and Consumer Services, and
  - Department of Legal Affairs

Outcomes of Florida's Statewide Franchise Law

- As of July 2009, the Department of State had issued 26 franchise certificates, 14 to existing providers
- New companies are slowly expanding services; number of cable subscribers up slightly

Outcomes

- Limited reliable information to assess competition
  - Companies are reluctant to provide information on subscribers
  - Franchise documents do not contain sufficient information

Local Governments Report Mixed Outcomes

- Few changes in services, access, or rates
- Many expressed concerns regarding inability to address
  - Consumer complaints
  - PEG channels
  - Rates

Little Information Available on Outcomes of Franchise Reform in Other States

- Little Uniformity among state franchise laws
  - Many have a central process for granting authority to provide services
  - Laws differ as to the termination of existing local franchise agreements

Little Information Available on Outcomes of Franchise Reform in Other States

- No systematic studies of changes in competition due to new laws
- No information available to calculate changes in competition

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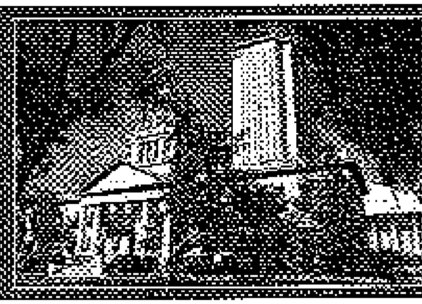

October 2009 Report No. 09-35

Benefits from Statewide Cable and Video Franchise Reform Remain Uncertain

at a glance

The 2007 Consumer Choice Act provided for a statewide franchise for cable and video service providers and ended local government authority to negotiate franchise agreements. Several departments—State, Agriculture and Consumer Services, and Legal Affairs—have responsibilities related to the new law but none has regulatory authority. As many as 20 states also passed statewide franchise laws in recent years. However, little systematic information exists to demonstrate the effect of these laws.

Since 2007, the Department of State has issued 26 state franchise certificates; most certificates were issued to existing cable or video service providers. However, two barriers prevent a comprehensive assessment of the affect of these franchises on competition for cable and video services: provider reluctance to share data and insufficient information provided in statewide franchise documents. In light of these difficulties, the Legislature may wish to consider amending s. 610.119(1), *Florida Statutes*, to modify study requirements or make changes that might lessen the industry concerns regarding a required December 2014 follow-up study on cable and video services competition.

Scope

As directed by the Legislature, OPPAGA reviewed the current regulatory structure for cable and video services provided by traditional cable and telecommunications companies.[1] The report addresses three questions.

1. What is the current structure of cable and video services regulation in Florida?
2. What has been the experience of other states that have adopted statewide franchise legislation?
3. What has been the outcome of Florida's statewide franchise law to date?

Background

Cable television systems in the United States were developed in the 1940s to serve communities unable to receive over-the-air television broadcasts because of terrain or distance from TV stations. Cable systems have expanded greatly over time to serve urban settings and offer a wide variety of programs that are often not available from broadcast networks. The most recent information reported by the Federal Communications Commission indicates that nationwide, 58% of households

[1] Chapter 610, *F.S.*, The Consumer Choice Act of 2007.

have cable television service.[2] In addition to traditional cable providers, other types of companies now offer video services to consumers, including direct broadcast satellite companies and telecommunication companies that provide cable and video services via telephone lines or through underground fiber optic cables.

For many years, the cable industry was regulated as a natural monopoly comparable to electrical utility and telephone companies.[3] To deliver their services, cable providers typically installed a network of copper coaxial lines either underground or strung with telephone lines on electric power poles. Due to these capital costs, once a company made this investment in a community, other providers were unlikely to duplicate the infrastructure investment and offer competing services.

Local franchise agreements typically governed local cable operations. Cable companies generally were regulated by local governments that established franchise agreements with providers in order to manage right-of-way issues. To gain the access to public rights-of-way needed to install cables underground or on power poles, cable companies entered into franchise agreements with local governments to use the land in exchange for adhering to specified conditions. These agreements provided companies a franchise to offer cable services in exchange for payments of franchise fees (sometimes millions of dollars), meeting specified customer service standards, systematically extending coverage to previously underserved areas, and regulation of their service charges by the local governments.[4,5] Franchise requirements often varied from one jurisdiction to the next. As a result, companies were required to engage in extensive and complex negotiations with large numbers of local governments. For example, one industry representative indicated that a single Florida county had as many as 26 different local franchising entities.

Statewide franchise laws have replaced local franchise agreements in some states. In recent years, there has been an effort in many states to replace local regulation of cable operations with statewide regulation. Proponents of these initiatives have held that the local franchise process is burdensome, costly, and an unnecessary barrier to competition. The proponents have asserted that establishing statewide regulation would eliminate the need for companies to engage in costly negotiations with multiple entities, provide statewide levels of service, and increase competition by eliminating local monopolies and allowing other entities to offer television services through telephone lines.

The National Conference of State Legislatures reports that 27 states have considered and 20 have passed video franchise reform legislation since 2005. In 2007, the Florida Legislature approved the Consumer Choice Act, which established a statewide franchise process in Florida.

[2] *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, Federal Communications Commission, January 2009. The data in the report is from 2006.

[3] Cable operators are also subject to federal regulations. These include the Cable Communications Policy Act of 1984, which established guidelines for ownership, channel usage, franchise provisions and renewals, subscriber rates and privacy, obscenity, unauthorized reception of services, and boundaries for federal, state, and local regulations. The 1992 Cable Television Consumer Protection and Competition Act and the 1996 Telecommunications Act established additional requirements intended to protect consumers and provide a competitive, de-regulated national policy framework for cable and video services. There has been some question of whether telecommunications companies that offer video services fall under the Federal Communication Commission's cable regulations.

[4] Local franchise authorities could regulate rates for basic cable unless the companies could meet certain federal standards for competition.

[5] Federal law provides that local franchise agreements cannot be exclusive. However, once a cable company made the investment to develop cable services in a community, other cable providers were less likely to invest the resources in order to compete.

Questions and Answers —

What is the current structure of cable and video services regulation in Florida?

Local governments and several state agencies provide limited oversight of cable and video services in Florida. Under local franchise agreements that existed in Florida prior to 2007, local governments established various requirements for cable providers. The Consumer Choice Act provides that these local franchises are terminated upon the issuance of a state certificate.[6] Several state agencies now share responsibilities related to cable and video services—the Department of State, Department of Agriculture and Consumer Services, Department of Legal Affairs, and Public Service Commission. However, none of these agencies has regulatory authority over cable and video services providers.

- **Department of State.** The department accepts applications for state franchises and issues certificates, posts franchise forms and other information on its website.
- **Department of Agriculture and Consumer Services.** Beginning July 1, 2009, the department is responsible for receiving and investigating quality complaints concerning cable or video services statewide.[7]
- **Department of Legal Affairs.** Depending on the circumstances, the department is responsible for investigating complaints of discrimination based on race or income that pertain to the statewide franchise holders under the state's unfair and deceptive trade practices law.[8]
- **Public Service Commission.** This body oversees telecommunications companies but does not have authority over the video services that they provide. The commission also reports annually on competition for telecommunications services.

Cable and video service providers pay fewer franchising fees than they did under local franchise agreements. The fees associated with state franchise certificates are a one-time $10,000 application fee, a $1,000 fee paid every five years to process application updates, and a $35 fee for information updates; these fees are submitted to the Department of State, which deposits them into the Operating Trust Fund. Local governments no longer receive revenue under locally negotiated franchise agreements.

What has been the experience of other states that have adopted statewide franchise legislation?

States' experiences vary due to substantive differences in their franchise laws, and very little objective information is available to compare state experiences. No comprehensive nationwide studies have been conducted that assess the impact of statewide cable and video franchises.

States have enacted franchise laws that provide differing roles for state and local governments. While at least 20 states have enacted statewide cable and video franchise laws, there is little uniformity in the regulatory structures they have created. Some states, including Florida and Texas, have replaced local franchises with a centralized process that gives certificate holders authority to provide services, although the two states differ in how this transition is to occur. In Florida, state law provides that local franchise agreements are to automatically terminate when the company is issued a statewide certificate. In contrast, Texas prohibits companies from obtaining a state franchise until their local franchise agreements expire. In both states, local governments

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[6] OPPAGA survey results indicate that local franchise agreements continue in some areas even though existing cable companies may have received a state franchise certificate.

[7] The Department of Agriculture and Consumer Services has already been handling cable complaints for some local governments. In Fiscal Year 2008-09, the department received 612 complaints, many of which concerned poor service quality.

[8] The local state's attorney would handle cases not under the jurisdiction of the Department of Legal Affairs.

continue their role as it relates to right-of-way responsibilities but no longer have authority to negotiate local franchise agreements.[9]

Other states have retained substantive roles for local governments. For example, in Michigan local governments continue to establish franchise agreements but must use a uniform agreement promulgated by the state's Public Utilities Commission. Local governments must approve the agreement within 30 days of submission by a company. In addition, local governments in Michigan continue to receive franchise fees, but the amount of these annual fees is not to exceed 5% of gross revenues.

Little comprehensive information exists to assess state franchise reforms. Due in part to the differences in state franchise law, there is little public data available on the outcomes of state reform efforts. Most available information on the advantages or disadvantages of state cable franchise reform is anecdotal and derived from media sources or from reform advocates and opponents. For example, in 2007 an advocacy group reported that rates for cable services had declined as new providers entered Texas and Indiana. However, reports from other sources have contradicted these findings, stating that rate reductions were misrepresented. Media stories in North Carolina, Georgia, Maryland, and Michigan have reported that cable rates have not declined and customer service problems, especially those concerning timely resolution of consumer complaints, have increased since statewide franchises were implemented. Some reports about the outcomes associated with new franchise laws may be influenced by the amount of revenue that local governments have lost because of the new laws.[10]

One of the few studies by an independent entity on the effects of the reform in one state was issued in January 2009 by the Public Utility Commission of Texas. This study concluded that the state franchise law had eased barriers to cable service providers entering the market and encouraged investment in the video and cable market. In the absence of available data to measure competition or rate changes, the commission based its conclusions on the number of companies applying for and receiving statewide franchises and the areas of the state that reported having access to more than one video service provider. In the spring of 2009, the Texas Legislature directed the commission to conduct another study to determine the extent to which cable or video service providers currently offering cable or video services in the state had engaged in discriminatory practices such as redlining, in which providers avoid areas with high concentrations of poor and minority households. This study is due by December 31, 2009.

No comprehensive studies have been published analyzing the impacts of statewide franchise reforms on competition. Fully assessing the impact of statewide cable franchises requires a systematic analysis of the number of providers offering services in each market, the market share of each provider, and the rates charged for services over time. It is important to analyze each of these factors, as changes in a single factor may not produce material benefits for consumers. For example, increasing the number of providers in a market area may have little impact for consumers if all providers charge comparable rates for similar service packages.

No published studies have been conducted that analyze changes in the number of providers offering services, market share, and rates charged in the states that have implemented statewide franchising. This is likely due to at least three factors. First, statewide franchise systems are relatively new in most states. Second, cable and telecommunications subscriber data, which is needed to analyze market share, is considered by companies to be

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[9] In Texas, if local franchise agreements allow for renewal, then local governments may renew them. Once the local agreement expires, the provider must seek a state-issued certificate.

[10] Florida's Consumer Choice Act amends Ch. 202, *F.S.*, and broadens the state's communications services tax to include video services.

proprietary information.[11] Finally, analyzing changes in rates is complicated because providers often market bundled packages that can include voice, data, and video services, making it more difficult to identify costs for individual services and compare rates over time and across companies.

What has been the outcome of Florida's statewide franchise law to date?

Limited information exists for drawing conclusions about Florida's statewide franchise law. Department of State data indicates that 26 companies have applied for and received state franchise certificates, and it appears that these companies gradually are offering services to more Florida consumers. However, no reliable information exists in the public arena that would allow a comprehensive analysis of changes in competition and rates for services. Cable and telecommunications companies report that they will be unwilling to provide such data unless the Legislature enacts new public records exemptions to protect the confidentiality of this information.

New companies gradually are offering services to more Florida consumers. In response to the Consumer Choice Act of 2007, the Department of State has established a process to accept franchise applications and award statewide certificates. Between July 2007 and July 2009, the department issued 26 certificates for statewide video franchises, 14 of which were issued to existing cable and video service providers and 12 were issued to new providers.

In addition, two large, national telecommunications providers have begun to offer video services to Florida consumers. In the summer of 2009, Verizon offered cable services to consumers in Pasco, Pinellas, Hillsborough, Polk, Manatee, and Sarasota counties. During the same period, AT&T offered its services to consumers in Duval, Clay, St. Johns, Volusia, Seminole, Orange, Osceola, Brevard, St. Lucie, Martin, Palm Beach, Broward, and Miami-Dade. It is important to note that not all consumers in these counties may have access to services. In some instances, only certain communities or areas within each county have access, depending on the business plan of the individual company.[12]

Lack of reliable information prevents an accurate assessment of competition for cable and video services. Two barriers currently preclude an analysis of the impact of Florida's statewide franchise initiative—provider reluctance to share data and insufficient information provided by statewide franchise documents.

Cable and video companies declined to provide OPPAGA the information needed to assess changes in industry competition across the state. Specifically, due to their concerns about the security of proprietary business information, the companies declined to provide the subscriber information necessary to determine market share. In addition, the companies declined to provide the specific service area descriptions and rate information needed to assess service patterns as they affect demographic and income groups.

Our ability to assess changes in competition is also limited because the franchise applications required by state law do not require companies to clearly indicate whether all consumers in a company's service area will be able to access services. Some franchise application documents may describe a "service area" as all or part of a city, county, or a wire center if the provider is a telecommunications provider.[13] However,

[11] According to the Federal Communications Commission, cable providers are precluded from releasing individual subscriber information. Companies also declined to provide aggregate information on subscribers due to proprietary concerns.

[12] The description of the Verizon and AT&T service areas is based on publicly available documents. In the absence of information from the companies, we relied on franchise documents provided to the Department of State. However, these documents do not contain sufficient information to precisely determine coverage areas within counties.

[13] A wire center is a central location or point of convergence where physical telephone circuits are interconnected; typically housed in a central office owned by an incumbent local exchange carrier.

depending on the technology, only some people in an area may have access to services.

Available data indicates that the number of cable subscribers has increased slightly under statewide franchising. In the absence of market share and rate information for all statewide franchisees, OPPAGA examined statewide changes in basic cable subscribers for the state's traditional cable companies to determine if there have been significant market changes. Entry into the market by new providers including traditional telecommunications companies could result in declines in the number of basic cable subscribers served by traditional cable companies as people switch their service to a new provider.

At the state level, information from traditional cable companies shows a small net increase in basic cable subscribers. Industry information shows that the number of basic cable subscribers increased in Florida by approximately 2% from 2007 to 2009 (from 4,960,629 to 5,046,547, or nearly 86,000 additional basic subscribers).[14] However, nationwide, figures reported by the National Cable and Telecommunications Association for 2007 and 2008 show a decline in basic video customers from 64.9 million to 63.7 million.[15]

Local governments report limited changes but challenges in addressing consumer complaints and concerns with government access channels. We surveyed local governments to gain their perspectives on the effects of the change from local to statewide franchises. County and municipal governments that responded to our survey generally reported that they have seen little change in services, access, or rates under the new law.[16] Of the 29 counties responding to the survey, over half (15) reported no identifiable changes, as did 34 of the 57 cities that responded to the survey question.[17] A few local governments reported benefits including fewer consumer complaints and lower rates.

However, the local governments also reported several challenges under the new law, including concerns about consumer complaints, local government access channels, and unrealized rate reductions.[18] Local governments reported that they continue to receive consumer complaints. In addition, several reported that companies were less likely to respond to consumer or local government attempts to resolve complaints since the new law went into effect. Officials also expressed the opinion that the statewide complaint process will be more burdensome for residents and decrease the likelihood of complaint resolution.

Local governments also reported reduced consumer access to government access channels that provide information to residents. Some companies have moved these channels on the dial, making it more difficult for residents to find them; some governments reported that their channels had been moved and are no longer accessible without paying for a cable box. In addition, several local governments expressed concern about new programming requirements for the access channels, loss of franchise fee

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[14] These data on basic cable subscribers for Florida are based on survey data collected nationally by industry experts. The figures may not include small cable providers in Florida that did not respond to the survey.

[15] The association reports that nationwide for the three years ending in March 2009, Verizon had added 2.2 million video customers to its fiber optic networks. In addition, the association also reports that as of December 2008, AT&T had added more than a million new video service customers and that the nation's two largest satellite broadcast companies currently serve more than 30 million customers.

[16] The state's 67 counties and 411 municipal governments were provided the opportunity to respond to an online survey or to submit the survey via e-mail or fax. Twenty-nine county governments (43%) responded to the survey, representing 4.8 million residents in unincorporated areas of the state. Seventy-four municipal governments (18%) responded to the survey, representing 3.1 million residents in incorporated areas of the state.

[17] In terms of positive change, the survey asked local governments whether they had seen consumer access to additional services, improved quality of service (fewer complaints), lower rates, or other positive changes. In terms of problems resulting from the new law, the survey asked about various consumer and local government concerns.

[18] As used herein, local access channels refer to public, educational, and government access channels. Public access channels are available for use by the public. They usually are administered either by the cable operator or by a third party designated by the franchising authority.

revenues to support these channels, and the potential for the loss of these channels. Finally, several local governments reported that rates for cable and video services had not decreased as was expected under the new franchise process.

The Legislature may wish to provide public records protection for subscriber data to facilitate analysis of the effects of cable reform. The Consumer Choice Act directs OPPAGA to analyze cable industry competition and report to the President of Senate and the Speaker of House of Representatives by December 1, 2014. Cable and telecommunications companies report that they are unwilling to provide proprietary subscriber data needed to assess competition within the industry and services to consumers unless this information will be exempt from public disclosure. If the Legislature wishes OPPAGA's 2014 study to assess these factors, it may wish to consider amending s. 610.119(1), *Florida Statutes,* to require providers to submit information on aggregate numbers of subscribers by census block level and to provide that these data are not subject to public records disclosure. Alternately, the Legislature could modify the study requirements to no longer direct OPPAGA to analyze the effect of statewide franchising on availability of video services to subscribers throughout the state and the level of competition within the industry.

Agency Response

A draft of our report was submitted to the Secretary of State for review and response; a formal response was not required, although the department provided comments informally.

The Florida Legislature
Office of Program Policy Analysis and Government Accountability

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