REPORT NO. 2010-075
JANUARY 2010

INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	District No.
Karen Disney-Brombach, Chair to 11-17-08, Vice Chair from 11-18-08	1
Lenora Quimby to 11-17-08	2
Matthew McCain from 11-18-08	2
Carol Johnson, Vice Chair to 11-17-08, Chair from 11-18-08	3
Ann Reuter to 11-17-08	4
Claudia Jiménez from 11-18-08	4
Debbie J. MacKay	5

Dr. Harry J. La Cava, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Clare Waters, CPA, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the audit team leader was Amanda B. Fazio, CPA, and the supervisor was Nancy Reeder, CPA, CISA. 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 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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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, 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 one that we consider to be a significant deficiency, 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* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

MATERIAL WEAKNESS

Finding No. 1: The District transferred capital outlay millage funds, totaling $3.85 million; however, District records did not evidence that these proceeds were used for allowable purposes, contrary to Section 1011.71, Florida Statutes.

SIGNIFICANT DEFICIENCY

Finding No. 2: Inappropriate or unnecessary access privileges existed within the District's finance and human resource applications, supporting operating system, and network that indicated a need for improved District management and review of access privileges. Additionally, the District did not have written policies and procedures for the management of consultant access privileges.

ADDITIONAL MATTERS

Finding No. 3: Improvements were needed in effectively monitoring the food service program with a view toward improving the financial condition of the program.

Finding No. 4: Enhancements could be made to ensure timely background screenings for District personnel who have direct contact with students.

Finding No. 5: The District lacked complete, well-documented Maintenance Department procedures to establish staff duties and responsibilities, ensure that maintenance projects are properly authorized and monitored, timely completed, and comply with applicable building and life safety codes.

Finding No. 6: Enhancements could be made in monitoring procedures to ensure the adequacy of insurance coverage for charter schools sponsored by the District and for construction projects.

Finding No. 7: Improvements are needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

Finding No. 8: Access privileges of certain former employees were not removed in a timely manner.

Finding No. 9: The District's security awareness training program needed improvement.

Finding No. 10: The District did not have a formal program change methodology that documented the program change process and did not restrict programmers from accessing or updating production programs and data.

Finding No. 11: The District's security controls related to passwords, workstations, and logging needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster and Hazard Mitigation 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.

Audit Objectives and Scope

Our audit objectives were to determine whether the Indian River County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established 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 our report No. 2009-040.

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, 2009. 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*.

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STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in 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 school internal funds, which represent 6 percent of the assets and 14 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and aggregate discretely presented component units, are 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Indian River County District School Board as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Indian River County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 **SCHEDULE OF FUNDING PROGRESS – SINGLE-EMPLOYER POSTEMPLOYMENT BENEFITS PLAN** (page 67) are not required parts 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
December 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the School Board of Indian River County, Florida's (the District) annual financial report represents management's discussion and analysis of the financial performance of the District for the fiscal year ended June 30, 2009. This information should be read in conjunction with the financial statements included in this report.

Financial Highlights

- The assets of the District exceed its liabilities at June 30, 2009, by $243.3 million. Of this amount, $192.7 million represents investments in capital assets (net of related debt) and $50.6 million represents restricted and unrestricted net assets of $53.2 million and ($2.6) million, respectively.
- The District's total net assets increased by $5.6 million or 2.3 percent.
- Program revenues account for $21.7 million or 11.2 percent of total revenues, and general revenues account for $172.4 million or 88.8 percent.
- The governmental funds report combined fund balances of $82.8 million, a decrease of $40.1 million in comparison to the prior fiscal year (after an adjustment of $249 thousand to reduce the General Fund beginning fund balance for a change in accounting principle).
- At the end of the fiscal year, the unreserved fund balance for the General Fund is $4.1 million, or 3.3 percent of General Fund revenues.

Overview of the Financial Statements

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

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

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

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base,

current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall financial well-being of the District.

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

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

- Business-type activities – This represents activities intended to recover all or a significant portion of their costs through user fees and charges. The District's only business-type activity is its Extended Day Program.

- Component units – The District presents five separate legal entities that operate as charter schools as discussed in the notes to the basic financial statements. Although these are legally separate organizations, the component units' activities are included in the financial statements since they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government. The Indian River County School Board Leasing Corporation (Leasing Corporation), although a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

The District has several governmental funds: the General Fund, the debt service funds, the special revenue funds (including the School Food Services Program), and the capital projects funds. Within these funds, the District maintains 11 individual funds. Of those funds, the General Fund, Debt Service - Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund are considered to be major funds.

Proprietary Funds
Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds use the accrual basis of accounting, the same, as on the entitywide statements. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its Extended Day Program.

- Internal service funds are used to report activities that provide goods or services to support the District's other programs and functions through user fees. The District uses internal service funds to account for the self-insurance program activities, as well as the resources of the East Central Florida Management Training Institute for which the District serves as fiscal agent. Since these services predominately benefit governmental functions rather than business-type functions, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds
Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses a private-purpose trust fund to account for a scholarship fund established by a private donor.

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

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

Other Information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information showing historical trend information for the past two actuarial valuations about the funded status of the District's postemployment healthcare benefits plan. The required supplementary information can be found immediately following the notes to the financial statements.

Government-wide Financial Analysis

The School Board of Indian River County, Florida
Condensed Statement of Net Assets
June 30, 2009 and 2008
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 118,137	$ 159,984	$ 312	$ -	$ 118,449	$ 159,984
Capital assets, net	307,396	267,613	-	-	307,396	267,613
Total assets	425,533	427,597	312	-	425,845	427,597
Current liabilities	21,969	27,779	32	-	22,001	27,779
Long-term liabilities	160,481	162,045	27	-	160,508	162,045
Total liabilities	182,450	189,824	59	-	182,509	189,824
Net assets:						
Invested in capital assets, net of related debt	192,693	178,107	-	-	192,693	178,107
Restricted	53,202	56,935	-	-	53,202	56,935
Unrestricted (Deficit)	(2,812)	2,731	253	-	(2,559)	2,731
Total net assets	$ 243,083	$ 237,773	$ 253	$ -	$ 243,336	$ 237,773

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $243.3 million at the end of the fiscal year. The largest portion of the District's net assets, $192.7 million (79.2 percent), reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding.

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

An additional portion of the District's net assets, $53.2 million (21.9 percent), represents resources subject to external restrictions on how they may be used. The remaining balance of net assets ($16.5 million after exclusion of $10.2 million in compensated absences payable and $8.9 million in other postemployment benefits obligations) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. Restricted net assets have decreased $3.7 million from the prior fiscal year.

The School Board of Indian River County, Florida
Condensed Statement of Activities and Changes in Net Assets
June 30, 2009 and 2008
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 3,529	$ 4,610	$ 872	$ -	$ 4,401	$ 4,610
Operating grants and contributions	9,320	8,442	-	-	9,320	8,442
Capital grants and contributions	7,984	4,342	-	-	7,984	4,342
General revenues:						
Property taxes, levied for operational purposes	88,841	94,914	-	-	88,841	94,914
Property taxes, levied for debt service	4,954	4,861	-	-	4,954	4,861
Property taxes, levied for capital projects	31,012	36,012	-	-	31,012	36,012
Grants and contributions, non-restricted	37,706	37,938	-	-	37,706	37,938
Miscellaneous	10,672	3,611	-	-	10,672	3,611
Unrestricted investment earnings	(767)	5,158	2	-	(765)	5,158
Total revenue	193,251	199,888	874	-	194,125	199,888
Expenses:						
Instruction	100,824	91,695	-	-	100,824	91,695
Pupil personnel services	5,858	5,344	-	-	5,858	5,344
Instructional media services	2,461	2,116	-	-	2,461	2,116
Instruction and curriculum development services	6,712	6,854	-	-	6,712	6,854
Instructional staff training services	1,000	1,186	-	-	1,000	1,186
Instruction related technology	952	955	-	-	952	955
Board of education	1,103	978	-	-	1,103	978
General administration	870	705	-	-	870	705
School administration	9,777	9,529	-	-	9,777	9,529
Facility services - non-capitalized	11,227	13,352	-	-	11,227	13,352
Fiscal services	1,298	1,257	-	-	1,298	1,257
Food services	8,848	8,315	-	-	8,848	8,315
Central services	2,638	2,666	-	-	2,638	2,666
Pupil transportation services	6,599	6,689	-	-	6,599	6,689
Operation of plant	13,883	14,906	-	-	13,883	14,906
Maintenance of plant	3,804	3,638	-	-	3,804	3,638
Administrative technology services	2,752	2,352	-	-	2,752	2,352
Community services	48	1,030	-	-	48	1,030
Interest on long-term debt	7,081	6,575	-	-	7,081	6,575
Unallocated depreciation	-	9,688	-	-	-	9,688
Extended Day Program	-	-	827	-	827	-
Total expenses	187,735	189,830	827	-	188,562	189,830
Change in net assets	5,516	10,058	47	-	5,563	10,058
Net assets, beginning	237,773	227,715	-	-	237,773	227,715
Adjustment to Beginning Net Assets	(206)	-	206	-	-	-
Net assets, ending	$ 243,083	$ 237,773	$ 253	$ -	$ 243,336	$ 237,773

Governmental Activities
Governmental activities increased the District's net assets by $5.6 million for the fiscal year ended June 30, 2009. Key components of this growth are as follows:

- Capital grants and contributions increased by $3.6 million, or 83.9 percent, compared to the prior fiscal year. The main reason for the increase is the result of the recognition of $5.2 million State Legislative Classrooms for Kids revenue from unearned revenue.

- Property taxes in the District have decreased due to the economy's downward effect on taxable assessed values resulting in a decrease in property tax revenues of 8.1 percent for the fiscal year 2008-09 compared to the prior fiscal year.

- Miscellaneous revenue increased 195.5 percent primarily due to the recognition of deferred revenue on the full accrual basis of a note receivable.

- Unrestricted investment earnings decreased 114.9 percent due to the recognition of the loss in market value of investments and the loss of interest due to the decline in interest rates.

- Expenses decreased $2.1 million in an effort to offset decreases in revenue, primarily in property tax collections.

Business-Type Activities
The District began accounting for its Extended Day Program as a business-type activity effective July 1, 2008, with net assets of $206 thousand, representing the cumulative net assets while operating as a governmental activity in previous years. The Extended Day Program business-type activities increased the District's net assets by $47 thousand for the fiscal year ended June 30, 2009. Key components of this growth are as follows:

- Charges for services and other income totaled $874 thousand, while Extended Day Program expenses totaled $827 thousand.

Financial Analysis of the District's Funds

The District's governmental funds reported a combined fund balance of $82.8 million, which is a decrease of $40.1 million over last year's total of $123.0 million. The following schedule indicates the fund balance and the total change in fund balance by major fund versus other governmental funds as reported in the basic financial statements for the fiscal years ended June 30, 2009 and 2008.

Fund Balance (in thousands)	2009	2008	Increase (Decrease)	Percentage Change
General Fund	$ 4,845	$ 9,881	$ (5,036)	(51.0)%
Debt Service - Other Fund	12	16	(4)	(25.0)%
Capital Projects Funds:				
Local Capital Improvement	36,718	36,433	285	0.8%
Other	35,327	69,186	(33,859)	(48.9)%
Other Governmental Funds	5,932	7,438	(1,506)	(20.2)%
Total	$ 82,834	$ 122,954	$ (40,120)	(32.6)%

General Fund

The District's General Fund fund balance decreased due to reductions in property tax collections and interest earnings from reductions in interest rates and the fair market value of investments. The tables that follow illustrate the financial activities and balance of the General Fund.

Revenues (in thousands)	2009	2008	Increase (Decrease)	Percentage Change
Taxes	$ 88,841	$ 94,914	$ (6,073)	(6.4)%
Interest earnings	68	691	(623)	(90.2)%
State revenues	32,821	31,928	893	2.8%
Other revenues	2,992	4,490	(1,498)	(33.4)%
Total	$ 124,722	$ 132,023	$ (7,301)	(5.5)%

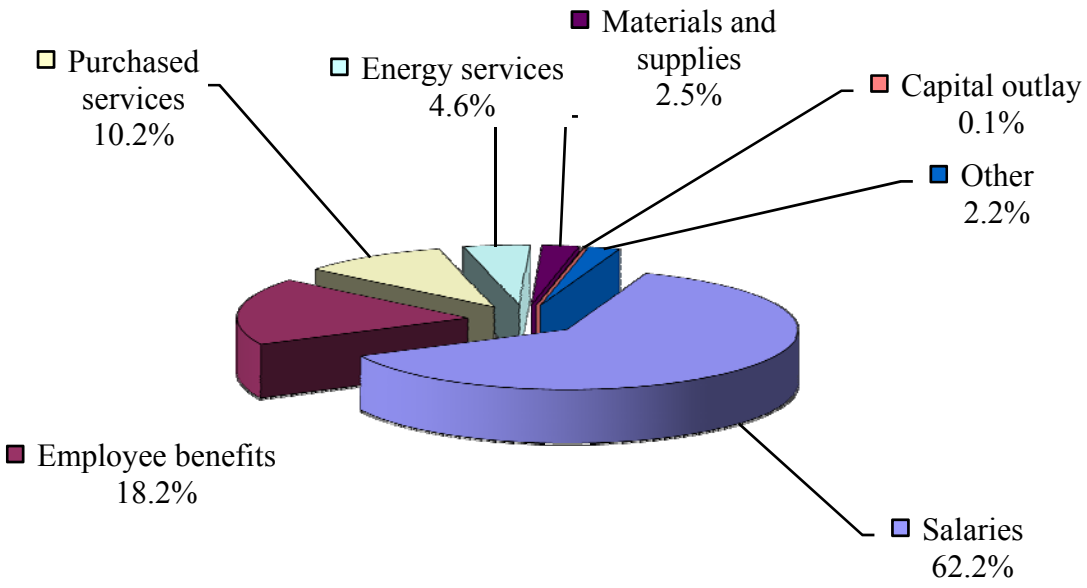
The property tax revenue is down $6.1 million primarily due to the decline in property values.

Interest earnings decreased 90.2 percent from the prior year due primarily to the unfavorable conditions in the investment markets.

Other revenues decreased $1.5 million, which is primarily due to the transfer of revenue from child care fees to the Enterprise Fund.

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

Expenditures by Object (in thousands)	2009	2008	Increase (Decrease)	Percentage Change
Salaries	$ 84,735	$ 86,583	$ (1,848)	(2.1)%
Employee benefits	24,808	25,659	(851)	(3.3)%
Purchased services	13,917	14,526	(609)	(4.2)%
Energy services	6,267	6,578	(311)	(4.7)%
Materials & supplies	3,490	3,863	(373)	(9.7)%
Capital outlay	128	277	(149)	(53.8)%
Other	2,967	2,608	359	13.8%
Total	$ 136,312	$ 140,094	$ (3,782)	(2.7)%



Expenditures decreased $3.8 million, or 2.7 percent compared to the prior fiscal year, mainly from decreases in salaries and fringe benefits.

Debt Service - Other Fund
The fund balance of the Debt Service - Other Fund decreased by 25.0 percent during the fiscal year from the prior fiscal year. The fund maintains a small fund balance, all of which is reserved for payment of debt service expenditures.

Capital Projects - Local Capital Improvement Fund
The fund balance of the Capital Projects - Local Capital Improvement Fund increased by $0.3 million, or 0.8 percent during the fiscal year. This is due mainly to a reduction in expenditures as new construction projects near completion.

Capital Projects - Other Fund
The fund balance of the Capital Projects - Other Fund decreased by $33.9 million, or 48.9 percent. This decrease is mainly due to the spend down of construction funds on major certificates of participation projects during the current fiscal year.

General Fund Budget Information

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

The District amended its revenue estimates to reflect the reduction in anticipated revenues from investment income and State sources due to revenue cuts at the State level. State revenue was originally

budgeted at $37.1 million and the actual was $32.8 million, or $4.3 million less than originally budgeted. Local revenue was originally budgeted at $94.0 million and the actual local revenue was $91.5 million, or $2.5 million less than originally budgeted, mainly due to a decrease in other local source revenue. In addition, the District received other financing sources in the amount of $6.7 million as a transfer from the Capital Projects – Local Capital Improvement Fund in order to support the District's maintenance functions in the amount of $6.0 million, and a transfer of $0.7 million for Charter School Capital Outlay from the Capital Projects – Other Fund.

The final budget for expenditures increased by $3.5 million from the original budget primarily due to unbudgeted step and performance pay increases for the two bargaining units. Other appropriations required changes in functional categories due to spending patterns. There were no significant variances between final budget and actual amounts.

Capital Assets

The District investment in capital assets for its governmental activities as of June 30, 2009, amounts to $307.4 million (net of accumulated depreciation). This investment in capital assets includes: land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials and computer software; and property under capital lease.

The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was approximately 14.9 percent. The majority of the acquisitions was for remodeling and renovations at various sites, a land acquisition, a telephone system acquired through a capital lease, and buses, furniture, and computer equipment replacement throughout the District. Major capital events during the current fiscal year included continuing construction related to a major addition and renovation project at Vero Beach High School and the new Storm Grove Middle School. Detailed information regarding capital asset activity is included in the notes to the basic financial statements, specifically Note 6, Changes in Capital Assets, and Note 18, Construction Contract Commitments.

Long-Term Debt and Other Long-Term Liabilities

At the end of the current fiscal year, the District has total long-term liabilities outstanding of $160.5 million. Of this amount, $24.4 million represents bonds issued on behalf of the District, $114.0 million in certificates of participation, compensated absences payable in the amount of $10.2 million, other postemployment benefits payable in the amount of $8.9 million, $1.8 million in obligations under capital leases, and $1.2 million in unamortized premiums. During the fiscal year, the District made principal payments of $4.2 million in bonds, $4.2 million in certificates of participation, $1.9 million in compensated absences, $1.2 million in other postemployment benefits, $0.08 million in capital leases, and $0.07 million in unamortized premiums.

In addition, the District entered into a capital lease agreement in the amount of $1.8 million. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements, specifically Note 8, Obligations Under Capital Leases; Note 9, Certificates of Participation; Note 10, Bonds Payable; and Note 11, Changes in Long-Term Liabilities.

Economic Factors and Next Year's Budgets and Rates

Local property taxes are the District's primary source of revenue. The required local effort (RLE) for the 2009-10 fiscal year is projected to be 5.048 mills (an increase of 0.638 mills); the discretionary millage is projected to be 0.748 mills (an increase of 0.148 mills); the supplemental millage was eliminated by the Legislature in 2009 and the maximum capital outlay millage was reduced by the Legislature in 2009 to 1.50 mills from 1.75 mills. General Fund revenues and other financing sources are projected to be $123.2 million, and expenditures are expected to be $122.9 million.

Requests for Information

This annual financial report is designed to provide a general financial overview of the School Board of Indian River County, Florida, for all those with such an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Board of Indian River County, Florida, Attn: Deputy Superintendent / CFO, 1990 25th Street, Vero Beach, FL 32960.

BASIC FINANCIAL STATEMENTS

The School Board of Indian River County, Florida
Statement of Net Assets
June 30, 2009
(amounts expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Charter Schools
ASSETS				
Cash and Cash Equivalents	$ 66,631	$ 318	$ 66,949	$ 1,820
Investments	33,619	-	33,619	-
Receivables	296	-	296	142
Due From Other Agencies	9,916	-	9,916	6
Notes Receivable	5,620	-	5,620	-
Due From Primary Government	-	-	-	717
Inventories	634	-	634	-
Prepaid Items	-	-	-	68
Deferred Charges	1,415	-	1,415	58
Deposits	-	-	-	1
Internal Balances	6	(6)	-	-
Other	-	-	-	19
Capital Assets:				
Non-Depreciable	64,522	-	64,522	2,186
Depreciable (Net)	242,874	-	242,874	7,884
Total Assets	425,533	312	425,845	12,901
LIABILITIES				
Accrued Salaries and Benefits	2,630	21	2,651	185
Accounts Payable	2,463	8	2,471	164
Construction Contracts Payable	1,765	-	1,765	-
Retainage Payable on Contracts	1,884	-	1,884	-
Due to Other Agencies	941	3	944	-
Accrued Interest Payable	206	-	206	186
Matured Debt Payable	4,205	-	4,205	-
Matured Interest Payable	2,661	-	2,661	-
Unearned Revenue	1,203	-	1,203	300
Estimated Insurance Claims Payable	4,011	-	4,011	-
Noncurrent Liabilities:				
Portion Due Within One Year	11,069	10	11,079	443
Portion Due In More Than One Year	149,412	17	149,429	5,470
Total Liabilities	182,450	59	182,509	6,748
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	192,693	-	192,693	4,215
Restricted for:				
Capital Projects	51,947	-	51,947	151
Debt Service	1,255	-	1,255	-
Unrestricted	(2,812)	253	(2,559)	1,787
Total Net Assets	$ 243,083	$ 253	$ 243,336	$ 6,153

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

The School Board of Indian River County, Florida
Statement of Activities
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Charter Schools
Primary Government:								
Governmental Activities:								
Instruction	$ 100,824	$ 475	$ -	$ -	$ (100,349)	$ -	$ (100,349)	
Pupil Personnel Services	5,858	-	-	-	(5,858)	-	(5,858)	
Instructional Media Services	2,461	-	-	-	(2,461)	-	(2,461)	
Instruction and Curriculum Development Services	6,712	-	-	-	(6,712)	-	(6,712)	
Instructional Staff Training Services	1,000	-	-	-	(1,000)	-	(1,000)	
Instruction Related Technology	952	-	-	-	(952)	-	(952)	
Board of Education	1,103	-	-	-	(1,103)	-	(1,103)	
General Administration	870	-	-	-	(870)	-	(870)	
School Administration	9,777	-	-	-	(9,777)	-	(9,777)	
Facilities Services - Non-Capitalized	11,227	-	-	7,401	(3,826)	-	(3,826)	
Fiscal Services	1,298	-	-	-	(1,298)	-	(1,298)	
Food Services	8,848	3,025	5,314	-	(509)	-	(509)	
Central Services	2,638	-	-	-	(2,638)	-	(2,638)	
Pupil Transportation Services	6,599	29	4,006	-	(2,564)	-	(2,564)	
Operation of Plant	13,883	-	-	-	(13,883)	-	(13,883)	
Maintenance of Plant	3,804	-	-	-	(3,804)	-	(3,804)	
Administrative Technology Services	2,752	-	-	-	(2,752)	-	(2,752)	
Community Services	48	-	-	-	(48)	-	(48)	
Interest on Long-Term Debt	7,081	-	-	583	(6,498)	-	(6,498)	
Total Governmental Activities	$ 187,735	$ 3,529	$ 9,320	$ 7,984	$ (166,902)	$ -	$ (166,902)	
Business-Type Activities:								
Extended Day Program	827	872	-	-	-	45	45	
Total Primary Government	$ 188,562	$ 4,401	$ 9,320	$ 7,984	$ (166,902)	$ 45	$ (166,857)	
Component Units:								
Charter Schools	$ 9,869	$ 157	$ 273	$ 209				(9,230)
General Revenues:								
Taxes:								
Property Taxes, Levied for Operational Purposes					88,841	-	88,841	-
Property Taxes, Levied for Debt Service					4,954	-	4,954	-
Property Taxes, Levied for Capital Projects					31,012	-	31,012	-
Grants and Contributions not Restricted to Specific Programs					37,706	-	37,706	9,062
Unrestricted Investment Earnings					(767)	2	(765)	15
Miscellaneous					10,672	-	10,672	63
Total General Revenues					172,418	2	172,420	9,140
Changes in Net Assets					5,516	47	5,563	(90)
Net Assets - Beginning					237,773	-	237,773	6,243
Adjustment to Beginning Net Assets					(206)	206	-	
Net Assets - Ending					$ 243,083	$ 253	$ 243,336	$ 6,153

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

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The School Board of Indian River County, Florida
Balance Sheet - Governmental Funds
June 30, 2009
(amounts expressed in thousands)

	General Fund	Debt Service - Other Fund
ASSETS		
Cash and Cash Equivalents	$ 6,025	$ 12
Investments	729	6,866
Receivables	269	-
Due from Other Funds	10	-
Due from Other Agencies	1,010	-
Notes Receivable	5,620	-
Inventories	429	-
Total Assets	$ 14,092	$ 6,878
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued Salaries and Benefits	$ 2,320	$ -
Accounts Payable	516	-
Construction Contracts Payable	-	-
Due to Other Funds	1	-
Due to Other Agencies	780	-
Deferred Revenue	5,630	-
Matured Bonds Payable	-	4,205
Matured Interest Payable	-	2,661
Retainage Payable on Contracts	-	-
Total Liabilities	9,247	6,866
Fund Balances (Deficit):		
Reserved for:		
Encumbrances	355	-
Inventory	429	-
Debt Service	-	12
Unreserved, Reported in:		
General Fund	4,061	-
Special Revenue Funds	-	-
Capital Projects Funds	-	-
Total Fund Balances	4,845	12
Total Liabilities and Fund Balances	$ 14,092	$ 6,878

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

Capital Projects		Other	Total
Local Capital Improvement Fund	Other Fund	Governmental Funds	Governmental Funds
$ 36,178	$ 9,189	$ 4,123	$ 55,527
336	25,288	175	33,394
-	-	27	296
1,172	1	1	1,184
-	5,225	3,296	9,531
-	-	-	5,620
-	-	205	634
$ 37,686	$ 39,703	$ 7,827	$ 106,186
$ -	$ -	$ 310	$ 2,630
945	728	273	2,462
-	1,765	-	1,765
12	10	1,151	1,174
-	-	161	941
-	-	-	5,630
-	-	-	4,205
-	-	-	2,661
11	1,873	-	1,884
968	4,376	1,895	23,352
5,343	10,797	1,893	18,388
-	-	-	429
-	-	1,243	1,255
			-
-	-	-	4,061
-	-	(501)	(501)
31,375	24,530	3,297	59,202
36,718	35,327	5,932	82,834
$ 37,686	$ 39,703	$ 7,827	$ 106,186

The School Board of Indian River County, Florida
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2009
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds		$ 82,834
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.		307,396
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the related debt.		1,415
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		6,505
Notes receivable are accrued as revenue in the government-wide statements because they are earned, but are considered unearned revenue in the governmental funds because the repayments do not provide current financial resources and are not available to liquidate liabilities in the governmental funds.		5,620
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(206)
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:		
Retiree Life Insurance Payable	$ 6	
Obligations Under Capital Leases	1,850	
Bonds Payable	24,405	
Certificates of Participation Payable	115,152	
Compensated Absences Payable	10,148	
Other Postemployment Benefits Obligation	8,920	
Total long-term liabilities		(160,481)
Total Net Assets - Governmental Activities		$ 243,083

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

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The School Board of Indian River County, Florida
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	General Fund	Debt Service - Other Fund
REVENUES		
Federal Direct Sources:		
Reserve Officer Training Corps (ROTC)	$ 121	$ -
Other Federal Direct Sources	-	-
Total Federal Direct	121	-
Federal Through State Sources:		
Food Service	-	-
Other Federal Through State Sources	273	-
Total Federal through State	273	-
State Sources:		
Florida Education Finance Program	5,732	-
Categorical Programs	25,476	-
District Discretionary Lottery Funds	425	-
Food Service	-	-
CO&DS Withheld for SBE/COBI Bond	10	-
CO&DS Distribution	-	-
Public Education Capital Outlay	-	-
Other State Sources	1,178	-
Total State Sources	32,821	-
Local Sources:		
Ad Valorem Taxes	88,841	-
Impact Fees	-	-
Food Service	-	-
Investment Income (Loss)	68	5
Other Local Sources	2,598	-
Total Local Sources	91,507	5
Total Revenues	$ 124,722	$ 5

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

Capital Projects		Other	Total
Local Capital Improvement Fund	Other Fund	Governmental Funds	Governmental Funds
$ -	$ -	$ -	$ 121
-	-	62	62
-	-	62	183
-		5,202	$ 5,202
-	5	7,709	7,987
-	5	12,911	13,189
-	-	-	5,732
-	-	-	25,476
-	-	-	425
-	-	113	113
-	-	582	592
-	-	96	96
-	-	1,829	1,829
-	5,906	-	7,084
-	5,906	2,620	41,347
31,012	-	4,954	124,807
-	291	-	291
-	-	3,025	3,025
200	(1,042)	30	(739)
-	196	7	2,801
31,212	(555)	8,016	130,185
$ 31,212	$ 5,356	$ 23,609	$ 184,904

Continued on next page.

The School Board of Indian River County, Florida
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	General Fund	Debt Service - Other Fund
EXPENDITURES		
Current:		
Instruction	$ 86,288	$ -
Pupil Personnel Services	4,105	-
Instructional Media Services	2,173	-
Instruction and Curriculum Development Services	4,086	-
Instructional Staff Training Services	572	-
Instruction Related Technology	832	-
Board of Education	1,012	-
General Administration	543	-
School Administration	9,060	-
Facilities Services - Non-Capitalized	-	-
Fiscal Services	1,141	-
Food Services	57	-
Central Services	2,080	-
Pupil Transportation Services	5,378	-
Operation of Plant	12,721	-
Maintenance of Plant	3,323	-
Administrative Technology Services	2,473	-
Community Services	46	-
Capital Outlay:		
Facilities Acquisition & Construction	-	-
Other Capital Outlay	-	-
Debt Service:		
Principal	-	4,285
Interest and Fiscal Charges	422	5,339
Total Expenditures	136,312	9,624
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,590)	(9,619)
OTHER FINANCING SOURCES (USES)		
Transfers In	6,688	9,615
Transfers Out	-	-
Capital Lease Inception	-	-
Sale of Capital Assets	99	-
Loss Recoveries	16	-
Total Other Financing Sources (Uses)	6,803	9,615
Net Change in Fund Balances	(4,787)	(4)
Fund Balances, Beginning	9,881	16
Adjustment to Beginning Fund Balance	(249)	-
Fund Balances, Ending	$ 4,845	$ 12

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

Capital Projects		Other	Total
Local Capital Improvement Fund	Other Fund	Governmental Funds	Governmental Funds
$ -	$ -	$ 4,029	$ 90,317
-	-	1,019	5,124
-	-	-	2,173
-	-	1,766	5,852
-	-	383	955
-	-	-	832
-	-	1	1,013
-	-	273	816
-	-	-	9,060
8,599	623	1,308	10,530
-	-	-	1,141
-	-	7,999	8,056
-	-	-	2,080
-	-	90	5,468
-	-	-	12,721
-	-	-	3,323
-	-	-	2,473
-	-	-	46
4,275	36,932	2,494	43,701
2,451	2,725	224	5,400
-	-	4,190	8,475
-	-	1,339	7,100
15,325	40,280	25,115	226,656
15,887	(34,924)	(1,506)	(41,752)
-	-	-	16,303
(15,602)	(701)	-	(16,303)
-	1,766	-	1,766
-	-	-	99
-	-	-	16
(15,602)	1,065	-	1,881
285	(33,859)	(1,506)	(39,871)
36,433	69,186	7,438	122,954
-	-	-	(249)
$ 36,718	$ 35,327	$ 5,932	$ 82,834

The School Board of Indian River County, Florida
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
June 30, 2009
(amounts expressed in thousands)

Net Change in Fund Balances - Governmental Funds			$ (39,871)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays and donations in excess of depreciation expense and loss on sale of capital assets in the current period.			
Capital Outlay - Facilites and Construction - Governmental Funds	$ 43,701		
Capital Outlay - Other Capital Outlay - Governmental Funds	5,400		
Donated Items	2,970		
Undepreciated Cost of Assets Sold	(295)		
Less: Depreciation Expense	(11,995)		
			39,781
Debt issuance costs are reported in the year the debt is issued as an expenditure in governmental funds; these costs are reported in the government-wide statement of activities as an asset and are amortized over the life of the associated debt. This is the amount of deferred charges at year-end ($1,415), less the amount accrued in the prior year ($1,499).			(84)
Premiums are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.			71
Debt financing provides current financial resources to 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 repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.			
Capital Lease Inception	(1,766)		
Capital Lease Repayments	80		
Certificates of Participation Repayments	4,206		
Bond Repayments	4,190		
			6,710
The net change in estimated long-term claims payable for retiree life insurance is reported in the statement of activities, but not in the governmental funds statement.			2
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as an expense when interest accrues in the statement of activities. This is the amount of accrued interest at year-end ($206), less the amount accrued in the prior year ($239).			33
In the statement of activities, the cost of other postemployment benefits obligation is measured by actuarial estimations, while in the governmental funds expenditures are recognized based on the amounts actually paid for other postemployment benefits. This is the net increase of the postemployment benefits obligation for the current period.			(5,063)
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 ($2,065) in excess of the amount paid ($1,868) in the current period.			(197)
Notes receivable are accrued as revenue in the government-wide statements because they are earned, but are considered unearned revenue in the governmental funds because the repayments do not provide current financial resources and are not available to liquidate liabilities in the governmental funds.			5,620
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net loss of internal service funds is reported with governmental activities.			(1,486)
Change in Net Assets - Governmental Activities			$ 5,516

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

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The School Board of Indian River County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Federal Direct Sources:				
Reserve Officer Training Corps (ROTC)	$ 116	$ 112	$ 121	$ 9
Total Federal Direct	116	112	121	9
Federal Through State Sources:				
Other Federal Through State Sources	296	273	273	-
Total Federal through State	296	273	273	-
State Sources:				
Florida Education Finance Program	8,572	5,732	5,732	-
Categorical Programs	26,588	25,449	25,476	27
District Discretionary Lottery Funds	705	426	425	(1)
CO&DS Withheld for SBE/COBI Bond	11	11	10	(1)
Other State Sources	1,268	1,182	1,178	(4)
Total State Sources	37,144	32,800	32,821	21
Local Sources:				
Ad Valorem Taxes	87,625	87,625	88,841	1,216
Investment Income	825	265	68	(197)
Other Local Sources	5,597	6,711	2,598	(4,113)
Total Local Sources	94,047	94,601	91,507	(3,094)
Total Revenues	131,603	127,786	124,722	(3,064)
EXPENDITURES				
Current:				
Instruction:				
Salaries	52,334	56,097	56,072	25
Employees Benefits	15,230	15,913	15,902	11
Purchased Services	8,831	10,105	10,019	86
Energy Services	3	3	3	-
Materials and Supplies	4,480	2,747	2,491	256
Capital Outlay	332	45	15	30
Other Expenditures	338	1,797	1,786	11
Total Instruction	81,548	86,707	86,288	419
Pupil Personnel Services:				
Salaries	2,990	3,094	3,094	-
Employees Benefits	901	905	905	-
Purchased Services	43	54	52	2
Energy Services	-	3	3	-
Materials and Supplies	35	28	28	-
Capital Outlay	10	-	-	-
Other Expenditures	6	23	23	-
Total Pupil Personnel Services	3,985	4,107	4,105	2
Instructional Media Services:				
Salaries	1,388	1,540	1,540	-
Employees Benefits	446	466	466	-
Purchased Services	6	5	4	1
Materials and Supplies	49	39	38	1
Capital Outlay	145	119	108	11
Other Expenditures	-	17	17	-
Total Instructional Media Services	$ 2,034	$ 2,186	$ 2,173	$ 13

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

The School Board of Indian River County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Current (continued)				
Instruction and Curriculum Development Services:				
Salaries	$ 2,845	$ 3,169	$ 3,155	$ 14
Employees Benefits	813	848	833	15
Purchased Services	7	35	34	1
Materials and Supplies	18	10	10	-
Capital Outlay	17	-	-	-
Other Expenditures	56	54	54	-
Total Instruction and Curriculum Development Services	3,756	4,116	4,086	30
Instructional Staff Training Services:				
Salaries	398	378	377	1
Employees Benefits	118	114	108	6
Purchased Services	176	90	57	33
Materials and Supplies	31	17	8	9
Capital Outlay	3	1	-	1
Other Expenditures	35	39	22	17
Total Instructional Staff Training Services	761	639	572	67
Instruction Related Technology:				
Salaries	536	433	433	-
Employees Benefits	157	152	152	-
Purchased Services	279	244	244	-
Energy Services	-	3	3	
Total Instruction Related Technology	972	832	832	-
Board of Education:				
Salaries	542	241	241	-
Employees Benefits	171	183	183	-
Purchased Services	524	515	511	4
Materials and Supplies	3	1	1	-
Other Expenditures	105	76	76	-
Total Board of Education	1,345	1,016	1,012	4
General Administration:				
Salaries	127	394	394	-
Employees Benefits	92	81	81	-
Purchased Services	19	74	49	25
Materials and Supplies	13	7	7	-
Capital Outlay	-	-	-	-
Other Expenditures	21	12	12	-
Total General Administration	272	568	543	25
School Administration:				
Salaries	6,363	7,017	7,017	-
Employees Benefits	1,865	1,881	1,881	-
Purchased Services	43	57	53	4
Energy Services	1	1	-	1
Materials and Supplies	73	79	74	5
Capital Outlay	12	-	-	-
Other Expenditures	6	35	35	-
Total School Administration	$ 8,363	$ 9,070	$ 9,060	$ 10

Continued on next page.

The School Board of Indian River County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Current (continued)				
Facilities Services-Non-Capitalized:				
Salaries	$ 267	$ -	$ -	$ -
Employees Benefits	132	-	-	-
Purchased Services	4	1	-	1
Energy Services	8	-	-	-
Materials and Supplies	10	-	-	-
Capital Outlay	21	-	-	-
Total Facilities Services-Non-Capitalized	442	1	-	1
Fiscal Services:				
Salaries	2,497	641	641	-
Employees Benefits	376	231	231	-
Purchased Services	3	207	198	9
Materials and Supplies	16	9	9	-
Other Expenditures	3	62	62	-
Total Fiscal Services	2,895	1,150	1,141	9
Food Services:				
Salaries	-	53	53	-
Employees Benefits	-	5	4	1
Total Food Services	-	58	57	1
Central Services:				
Salaries	1,447	1,325	1,325	-
Employees Benefits	450	447	447	-
Purchased Services	336	272	256	16
Energy Services	-	10	10	-
Materials and Supplies	84	25	18	7
Capital Outlay	89	7	-	7
Other Expenditures	35	24	24	-
Total Central Services	2,441	2,110	2,080	30
Pupil Transportation Services:				
Salaries	3,260	2,909	2,909	-
Employees Benefits	1,143	1,148	1,148	-
Purchased Services	384	401	397	4
Energy Services	707	478	476	2
Materials and Supplies	243	167	160	7
Capital Outlay	-	-	-	-
Other Expenditures	100	288	288	-
Total Pupil Transportation Services	5,837	5,391	5,378	13
Operation of Plant:				
Salaries	3,711	4,040	4,040	-
Employees Benefits	1,349	1,433	1,432	1
Purchased Services	2,881	1,018	1,001	17
Energy Services	6,403	5,734	5,700	34
Materials and Supplies	427	405	402	3
Capital Outlay	12	-	-	-
Other Expenditures	29	146	146	-
Total Operation of Plant	$ 14,812	$ 12,776	$ 12,721	$ 55

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

The School Board of Indian River County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
EXPENDITURES				
Current (continued)				
Maintenance of Plant:				
Salaries	$ -	$ 2,189	$ 2,189	$ -
Employees Benefits	-	645	645	-
Purchased Services	74	214	196	18
Energy Services	191	72	72	-
Materials and Supplies	10	251	216	35
Capital Outlay	20	5	5	-
Total Maintenance of Plant	295	3,376	3,323	53
Administrative Technology Services:				
Salaries	1,422	1,254	1,253	1
Employees Benefits	387	390	390	-
Purchased Services	1,049	822	808	14
Energy Services	-	-	-	-
Materials and Supplies	39	23	22	1
Capital Outlay	84	-	-	-
Other Expenditures	-	-	-	-
Total Administrative Technology Services	2,981	2,489	2,473	16
Community Services:				
Salaries	621	6	2	4
Employees Benefits	123	2	-	2
Purchased Services	32	38	38	-
Materials and Supplies	38	6	6	-
Capital Outlay	7	-	-	-
Other Expenditures	33	-	-	-
Total Community Services	854	52	46	6
Debt Service:				
Principal	11	-	-	-
Interest and Fiscal Charges	-	422	422	-
Total Debt Service	11	422	422	-
Total Expenditures	133,604	137,066	136,312	754
Excess (Deficiency) of Revenues Over Expenditures	(2,001)	(9,280)	(11,590)	(2,310)
OTHER FINANCING SOURCES (USES)				
Transfers In	792	6,688	6,688	-
Transfers Out	-	(249)	-	249
Sale of Capital Asset	13	99	99	-
Loss Recoveries	-	16	16	-
Total Other Financing Sources (Uses)	805	6,554	6,803	249
Net Change in Fund Balance	(1,196)	(2,726)	(4,787)	(2,061)
Fund Balance, Beginning	9,881	9,881	9,881	-
Adjustment to Beginning Fund Balance	-	-	(249)	(249)
Fund Balance, Ending	$ 8,685	$ 7,155	$ 4,845	$ (2,310)

The School Board of Indian River County, Florida
Statement of Net Assets
Proprietary Funds
June 30, 2009
(amounts expressed in thousands)

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise Fund	Internal Service Funds
	Extended Day Program	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 318	$ 11,104
Investments	-	225
Due from Other Agencies	-	385
Total Current Assets	318	11,714
Total Assets	318	11,714
LIABILITIES		
Current Liabilities:		
Accrued Salaries and Benefits	21	-
Accounts Payable	8	1
Due to Other Funds	6	5
Due to Other Agencies	3	-
Unearned Revenue	-	1,192
Estimated Insurance Claims Payable	-	4,011
Noncurrent Liabilities:		
Portion Due Within One Year	10	-
Portion Due In More Than One Year	17	-
Total Liabilities	65	5,209
NET ASSETS		
Unrestricted	253	6,505
Total Net Assets	$ 253	$ 6,505

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

The School Board of Indian River County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise Fund	Internal Service Funds
	Extended Day Program	
OPERATING REVENUES		
Charges for Services	$ 872	$ 57
Premium Revenues	-	16,255
Other Operating Revenues	-	273
Total Operating Revenues	872	16,585
OPERATING EXPENSES		
Insurance Claims	-	13,278
Insurance Premiums	-	2,657
Service Agent Fees	-	1,949
Professional and Technical Services	32	77
Salaries and Benefits	703	65
Materials and Supplies	56	12
Other Expenses	36	5
Total Operating Expenses	827	18,043
Operating Income (Loss)	45	(1,458)
NONOPERATING REVENUES		
Investment Earnings (Loss)	2	(28)
Total Nonoperating Revenues	2	(28)
Change in Net Assets	47	(1,486)
Total Net Assets, Beginning	-	7,991
Adjustment to Beginning Net Assets	206	-
Total Net Assets, Ending	$ 253	$ 6,505

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

The School Board of Indian River County, Florida
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise Fund	Internal Service Funds
	Extended Day Program	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received for Premiums	$ -	$ 16,284
Cash Received for Other Operating Revenues	872	329
Cash Payments for Insurance Premiums	-	(2,641)
Cash Payments to Employees for Services	(716)	(81)
Cash Payments for Other Fees	-	(1,949)
Cash Payments for Insurance Claims	-	(12,944)
Cash Payments for Other	(88)	(88)
Net Cash Provided (Used) by Operating Activities	68	(1,090)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of Loan from Other Fund	-	1,353
Net Cash Provided by Noncapital Financing Activities	-	1,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	-	7,630
Interest on Investments	1	143
Net Cash Provided by Investing Activities	1	7,773
Net Change in Cash and Cash Equivelents	69	8,036
Cash and Cash Equivalents, Beginning (see Notes to the Basic Financial Statements, Note 2.)	249	3,068
Cash and Cash Equivalents, Ending	$ 318	$ 11,104
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ 45	$ (1,458)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	-	104
Increase in Due From Other Agencies	-	(65)
Increase in Accrued Salaries and Benefits	21	-
Increase in Account Payable	8	-
Increase in Due to Other Funds	6	5
Increase in Due to Other Agencies	3	-
Decrease in Unearned Revenue	-	(10)
Increase in Estimated Insurance Claims Payable	-	334
Decrease in Other Postemployment Benefits Payable	(15)	-
Total Adjustments	23	368
Net Cash Provided (Used) by Operating Activities	$ 68	$ (1,090)
Noncash Investing Activity		
Decrease in Fair Value of Investments		$ (171)

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

The School Board of Indian River County, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(amounts expressed in thousands)

	Private-Purpose Trust Fund Waldo Schraubstader Scholarship Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 31	$ 1,143
Investments	44	-
Inventory	-	38
Total Assets	75	$ 1,181
LIABILITIES		
Internal Accounts Payable	-	$ 1,181
Total Liabilities	-	$ 1,181
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	$ 75	

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

The School Board of Indian River County, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Private-Purpose Trust Fund
For the Fiscal Year Ended June 30, 2009
(amounts expressed in thousands)

	Fiduciary Fund
	Private-Purpose Trust Fund
	Waldo Schraubstader Scholarship Fund
ADDITIONS	
Investments Earnings:	
Interest on Investments	$ 1
Total Investment Earnings	1
DEDUCTIONS	
Other Expenses	3
Change in Net Assets	(2)
Total Net Assets, Beginning	77
Total Net Assets, Ending	$ 75

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

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ Reporting Entity

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Indian River County School District is considered part of the Florida system of public education. The governing body of the school district is the Indian River County District School Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Indian River County.

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

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

- Blended Component Unit. The Indian River County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 9. Due to the substantive economic relationship between the Indian River County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

- Discretely Presented Component Units. The component units columns in the government-wide financial statements include the financial data of the District's other component units. Per Florida Statute, charter schools operate under charters approved by their sponsor. Charter schools listed below are sponsored by the Indian River County District School board and are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for them. Except for Imagine Schools at South Vero, the charter schools listed below 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. Imagine Schools at South Indian River County, LLC, doing business as Imagine Schools at South Vero, is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

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

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

Sebastian Charter Junior High, Inc., was established to educate students in grades 6 through 8 in a challenging and wholesome environment which will provide an educational environment where students will have learning opportunities that set high expectations for academic growth, foster individual achievement, and stress character development.

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

Imagine Schools at South Vero was established to provide students in grades K through 6 with a quality learning opportunity by maintaining a caring learning environment, working with parents and local communities to develop the intellect and character of the students who choose to attend the school; utilizing innovative teaching techniques delivered by a highly qualified faculty; and offering a challenging curriculum that prepares children for lives of leadership in a rapidly changing world.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2009. Audits of the charter schools for the fiscal year ended June 30, 2009, were conducted by independent accounting firms and are on file at the District Administrative Office.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

- **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. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

  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 and for each segment of business 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 expense for the District has been allocated based upon a percentage of functional expenditures to total expenditures with direct allocation for some expenses in pupil transportation, food service and maintenance of plant functions.

  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 or business segment 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 except for interfund services provided and used, and the net residual amounts between governmental and business-type activities.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

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

The District reports the following major governmental funds:

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

- Debt Service – Other Fund – to account for financial resources generated for debt principal and interest for the Series 2005 and Series 2007, Certificates of Participation.

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, payments on operating leases, motor vehicle purchases, equipment purchases, costs of environmental compliance, and payment of property and casualty insurance premiums.

- Capital Projects – Other Fund – to account for other financial resources generated by the Series 2005 and Series 2007, Certificates of Participation, Impact Fees, and Class Size Reduction Construction funds to be used for capital projects.

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

- Internal Service Funds – to account for the District's individual self-insurance programs and to account for the resources of the East Central Florida Management Training Institute (MTI) consortium for which the School Board of Indian River County acted as fiscal agent for the 2008-09 fiscal year.

- Enterprise Fund - Extended Day Program − to account for the financial resources of the District's Extended Day Program. This program provides before and after school care to students.

- Private-Purpose Trust Fund – to account for resources of the Estate of Waldo Schraubstader Scholarship Fund.

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

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

- **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 funds and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Revenues susceptible to accrual include ad valorem taxes, impact fees, and interest on investments. 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, postemployment healthcare benefits, 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 under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds and enterprise fund are charges for employee health insurance premiums, services related to the Management Training Institute, and fees for child care services. Operating expenses include insurance premiums, claims, administrative expense, salaries and benefits, training expense and other related expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

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

- **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certain short-term, highly liquid investments with maturities of three months or less. Investments classified as cash equivalents consist of unrestricted investments placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP) which, effective July 1, 2009, is known as Florida PRIME.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Investments consist of amounts placed with SBA Debt Service accounts for investment of debt service moneys and amounts placed with SBA for participation in LGIP and the Fund B Surplus Funds Trust Fund (Fund B), investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, 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 Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, 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 LGIP.

Investments made locally consist of a mutual fund and a money market fund and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

- **Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at year end are reported as due to/from other funds.

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost based on the last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus

commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

- **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

Description	Estimated Lives
Improvements Other than Buildings	10 - 35 years
Buildings and Fixed Equipment	8 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	10 years
Property under Capital Leases	3 - 5 years
Audio Visual Materials and Computer Software	5 years

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

- **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Premiums on debt issuance, as well as issuance costs, are deferred and amortized using a straight-line method over the life of the related debt.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation and sick leave) are accrued as liabilities to the extent that the benefits are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means. Vacation benefits are accrued as earned and sick leave benefits are accrued using the vesting method. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive payments and for those employees for

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

who it is probable they will become eligible. The liability includes applicable related payments for social security, medicare and retirement contributions. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

- **State Revenue Sources**

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

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

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

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

- **District Property Taxes**

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

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

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

The School Board adopted the 2008 tax levy on September 4, 2008. 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 an enforceable lien on property as of 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 Indian River County Tax Collector at fiscal year-end but not yet remitted to the District.

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

- **Educational Impact Fees**

The District receives educational impact fees based on an ordinance adopted by the Indian River County Commission on May 17, 2005. The educational impact fees are collected by the County for most new residential construction. The fees shall be used solely for the purpose of providing capital improvements to the public education system necessitated by new residential development, and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, site acquisition, facility design and construction, site development, necessary off-site improvements, and furniture and equipment. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements.

- **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.

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2. CHANGE IN ACCOUNTING PRINCIPLE

The District previously accounted for its Extended Day Program (Program) in the General Fund as an instructional activity. During the 2008-09 fiscal year, the District changed its accounting for the Program to a business-type activity accounted for as an enterprise fund because it is intended to recover all or a significant portion of its costs through user fees and charges. The adjustments to beginning net assets and fund balances are summarized below:

Net Assets / Fund Balances	Government-Wide Statement of Activities	Governmental Funds	Business-Type Activities
		General Fund	Enterprise Fund
Adjustment for Cumulative Extended Day Program Assets (Cash and Cash Equivalents)	$ (248,704)	$ (248,704)	$ 248,704
Adjustment for Extended Day Program Employee Compensated Absences Payable	17,259		(17,259)
Adjustment for Extended Day Program Employee Other Postemployment Benefits Payable	24,958		(24,958)
Adjustment to Restate Beginning Balances	$ (206,487)	$ (248,704)	$ 206,487

3. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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- **Deficit Fund Balance in Individual Nonmajor Fund**

The following Special Revenue – Food Services Fund had a deficit fund balance at June 30, 2009:

	Fund Balance 7-1-08	Change in Fund Balance Fiscal Year 2008-09	Fund Balance 6-30-09
Special Revenue - Food Services Fund	$ (849,179)	$ 348,419	$ (500,760)

The deficit was primarily attributed to a reduction in revenues related to the end of the Federal Provision II Breakfast Program in the 2005-06 fiscal year. The District has not had sufficient eligible free and reduced participation to make returning to the program a cost effective option. The District was able to drastically reduce the deficit during the 2008-09 fiscal year through cost cutting measures and revenue enhancements, and efforts are continuing to eliminate the deficit.

4. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust Fund Investment Pool (LGIP) (1) (2)	46 Day Average	$ 78,207,567
Fund B Surplus Funds Trust Fund (Fund B) (3)	6.87 Years Average	3,034,338
Debt Service Accounts	6 Months	161,270
Mutual Funds:		
U.S. Government Securities Trust (4)	3.8 Years Average	44,127
First American Money Market Fund (5) (6)	3 Days	6,887,924
Total Investments, Primary Government		$ 88,335,226

Notes:
(1) Includes investment of $54,672,111 considered cash equivalent for financial statement reporting purposes.
(2) Includes $23,535,456 held under a trust agreement for Certificates of Participation financing arrangements.
(3) Includes $1,730,499 held under a trust agreement for Certificates of Participation financing arrangements.
(4) The U.S. Government Securities Trust invests exclusively in U.S. Government securities.
(5) Held under a trust agreement for Certificates of Participation financing arrangements.
(6) First American Money Market Fund invests exclusively in short-term U.S. Government Securities and repurchase agreements secured by U.S. Government Securities.

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Interest Rate Risk

- District policies limit the maturity to a maximum of 24 months for investments of current operating funds. In no event shall the investments of nonoperating funds exceed a maturity of five years in order to manage the District's exposure to fair value losses arising from increasing interest rates.

- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. 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. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's participation in Fund B is involuntary.

Credit Risk

- Section 218.415, Florida Statutes, limits the types of investments that a District can invest in unless specifically authorized in District policy. The District has an investment policy, which permits investments in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (LGIP), direct obligations of the U.S. Treasury, U.S. Federal Government Agency Securities, U.S. Government Sponsored Agencies, Securities and Exchange Commision registered mutual and money market funds with the highest credit rating from a nationally recognized rating agency, certificates of deposit or saving accounts with banks organized under the laws of Florida or doing business in the State of Florida as a qualified public depository and which is not listed with any recognized credit watch service, repurchase agreements fully collateralized at 102 percent of fair value by U.S. Treasuries, U.S. Government Agencies, or U.S. Government Sponsored Agencies or Federal Instrumentalities, commercial paper rated Prime-1 or A-1, bankers' acceptances rated P-1 or A-1, State or local government debt, and corporate securities rated at least AA or A2.

- The District's investments held in the SBA Debt Service accounts are to provide for debt service payments on bond debt issued at the state level for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.

- As of June 30, 2009, the District's investment in LGIP is rated AAAm by Standard & Poor's. Fund B is unrated.

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- As of June 30, 2009, the District's investment in the First American Money Market Fund was rated AAAm by Standard & Poor's, Aaa by Moody's Investors Service, and AAA by Fitch's Rating Agency.
- As of June 30, 2009, the District's investment in the U.S. Government Securities Trust mutual fund is unrated. However, the rated securities held by the fund are rated AAA by Standard & Poor's.

5. NOTE RECEIVABLE

Pursuant to Section 1013.68(6), Florida Statutes, in March 2002, the District entered into an interlocal loan agreement to assign $9,308,048 of its Classrooms First Program allocation from the State of Florida to the Osceola County District School Board. In return, the Osceola County District School Board agreed to repay the Indian River County School District the funds in 15 annual installments. The effective interest rate on the loan is 5.776 percent with annual loan principal and interest payments totaling $897,039 through August 1, 2016. If an installment payment is not made when due, the State of Florida will make payment to the Board within 10 days of notification of nonpayment. As such, the District considers the receivable totally collectible and did not report an allowance for uncollectible amounts.

The note receivable at June 30, 2009, is $5,620,077 as shown in the schedule below:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	$ 897,039	$ 572,406	$ 324,633
2011	897,039	605,469	291,570
2012	897,039	640,443	256,596
2013	897,039	677,437	219,602
2014	897,039	716,568	180,471
2015-17	2,691,117	2,407,754	283,363
Total	$ 7,176,312	$ 5,620,077	$ 1,556,235

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6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 21,244,312	$ 2,026,835	$ -	$ 23,271,147
Improvements Other Than Buildings	188,739	-	-	188,739
Construction in Progress	55,888,063	34,148,614	48,974,847	41,061,830
Total Capital Assets Not Being Depreciated	77,321,114	36,175,449	48,974,847	64,521,716
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	17,351,413	664,778	-	18,016,191
Buildings and Fixed Equipment	235,045,396	58,700,410	81,248	293,664,558
Furniture, Fixtures, and Equipment	20,422,065	1,915,380	1,699,047	20,638,398
Motor Vehicles	9,290,718	1,399,876	634,207	10,056,387
Property Under Capital Leases	415,000	1,941,691	-	2,356,691
Audio Visual Materials and Computer Software	3,524,493	250,908	86,542	3,688,859
Total Capital Assets Being Depreciated	286,049,085	64,873,043	2,501,044	348,421,084
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	8,750,027	827,378	-	9,577,405
Buildings and Fixed Equipment	64,775,190	8,130,792	-	72,905,982
Furniture, Fixtures, and Equipment	14,164,246	1,919,120	1,560,671	14,522,695
Motor Vehicles	4,996,032	686,367	562,522	5,119,877
Property Under Capital Leases	269,750	91,090	-	360,840
Audio Visual Materials and Computer Software	2,802,054	340,681	82,807	3,059,928
Total Accumulated Depreciation	95,757,299	11,995,428	2,206,000	105,546,727
Total Capital Assets Being Depreciated, Net	190,291,786	52,877,615	295,044	242,874,357
Governmental Activities Capital Assets, Net	$ 267,612,900	$ 89,053,064	$ 49,269,891	$ 307,396,073

The classes of property under capital leases are presented in Note 8.

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 6,363,014
Pupil Personnel Services	369,552
Instructional Media Services	155,231
Instruction and Curriculum Development Services	423,387
Instructional Staff Training Services	63,094
Instruction Related Technology	60,054
Board of Education	69,596
General Administration	54,893
School Administration	616,705
Facility Services - Non-Capitalized	708,176
Fiscal Services	81,900
Food Services	566,805
Central Services	166,400
Pupil Transportation Services	892,965
Operation of Plant	875,723
Maintenance of Plant	354,369
Administrative Technology Services	173,564
Total Depreciation Expense - Governmental Activities	$ 11,995,428

7. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Notes	$ -	$ 24,000,000	$ 24,000,000	$ -
Total Governmental Activities	$ -	$ 24,000,000	$ 24,000,000	$ -

The Tax Anticipation Notes, Series 2008, with an interest rate of 2.75 percent and a net interest cost of 1.651 percent, were issued on November 10, 2008, for $24,000,000 and matured on June 30, 2009. The proceeds were utilized for payment of operating expenses incurred for the District's schools for the 2008-09 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year.

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8. OBLIGATIONS UNDER CAPITAL LEASES

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

	Asset Balance
Telephone System	$ 1,941,691
Software (Payroll System Upgrade)	415,000
Total	$ 2,356,691

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
2010	$ 497,077	$ 428,044	$ 69,033
2011	408,777	358,567	50,210
2012	408,778	373,139	35,639
2013	408,777	388,302	20,475
2014	306,582	301,547	5,035
Total Minimum Lease Payments	$ 2,029,991	$ 1,849,599	$ 180,392

The stated interest rates are 6.09 percent for the software lease and 3.99 percent for the telephone system lease.

9. CERTIFICATES OF PARTICIPATION

The District entered into financing arrangements on November 1, 2005 (Series 2005), and on August 1, 2007 (Series 2007), characterized as lease-purchase agreements, with the Indian River School Board Leasing Corporation whereby the District secured financing for construction of educational facilities and the purchase of land. The financings were accomplished through the issuance of certificates of participation, to be repaid from the proceeds of rents paid by the District.

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As a condition of the financing arrangements, the District has given a ground lease on District property to the Indian River School Board Leasing Corporation with a rental fee of $10 per year. The initial terms of the lease agreements are 20 years commencing on November 1, 2005 (Series 2005), and August 1, 2007 (Series 2007). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease agreements and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for the remaining terms of the lease agreements.

Certificates of Participation at June 30, 2009, are as follows:

Series	Issued Amount	Amount Outstanding	Interest Rates (Percent)	Maturity
Series 2005	$ 80,050,000	$ 71,045,000	3.50 - 5.00	2025
Series 2007	45,020,000	42,920,000	4.00 - 5.00	2027
Total Certificates of Participation	$ 125,070,000	$ 113,965,000		

The District properties included in the ground leases under this arrangement include:

Series 2005 Certificates of Participation
- Vero Beach High School renovations
- Alternative Education Center
- Sebastian River Middle School Music Addition
- 152 acres of land for future educational facilities

Series 2007 Certificates of Participation
- Storm Grove Middle School

The lease payments for the 2005 and 2007 Series Certificates are payable by the District, semiannually, on July 1 and January 1. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

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Fiscal Year Ending June 30	Total	Principal	Interest
2010	$ 9,529,737	$ 4,360,000	$ 5,169,737
2011	9,531,413	4,520,000	5,011,413
2012	9,530,603	4,690,000	4,840,603
2013	9,529,903	4,870,000	4,659,903
2014	9,528,613	5,065,000	4,463,613
2015-2019	47,639,493	28,645,000	18,994,493
2020-2024	47,637,763	35,835,000	11,802,763
2025-2027	28,588,150	25,980,000	2,608,150
Total Minimum Lease Payments	171,515,675	113,965,000	57,550,675
Plus: Unamortized Premium	1,186,530	1,186,530	
Total Certificates of Participation	$ 172,702,205	$ 115,151,530	$ 57,550,675

10. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Issued Amount	Amount Outstanding	Interest Rates (Percent)
State School Bonds:			
Series 2005A	$ 6,405,000	$ 5,645,000	4.00 - 5.00
Series 2008A	1,210,000	1,180,000	3.25 - 5.00
District General Obligations Bonds:			
Series 2002, Refunding	24,805,000	12,770,000	3.50 - 5.50
Series 2003, Refunding	17,605,000	4,810,000	3.25 - 5.00
Total Bonds Payable	$ 50,025,000	$ 24,405,000	

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.

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- **District General Obligation Bonds**

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	$ 586,125	$ 280,000	$ 306,125
2011	587,738	295,000	292,738
2012	588,588	310,000	278,588
2013	588,763	325,000	263,763
2014	588,188	340,000	248,188
2015-2019	2,949,362	1,975,000	974,362
2020-2024	2,957,481	2,450,000	507,481
2025-2028	917,087	850,000	67,087
Total State School Bonds	9,763,332	6,825,000	2,938,332
General Obligation Bonds:			
2010	4,881,223	4,060,000	821,223
2011	4,893,948	4,250,000	643,948
2012	5,007,250	4,520,000	487,250
2013	5,011,250	4,750,000	261,250
Total General Obligation Bonds	19,793,671	17,580,000	2,213,671
Total	$ 29,557,003	$ 24,405,000	$ 5,152,003

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
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11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	$ 118,170,000	$ -	$ 4,205,000	$ 113,965,000	$ 4,360,000
Unamortized Premiums	1,257,516	-	70,986	1,186,530	70,986
Total Certificates of Participation Payable	119,427,516	-	4,275,986	115,151,530	4,430,986
Estimated Long-term Claims Payable	8,559	-	1,963	6,596	1,512
Obligations Under Capital Leases	163,043	1,766,120	79,564	1,849,599	428,044
Bonds Payable	28,595,000	-	4,190,000	24,405,000	4,340,000
Compensated Absences Payable	9,951,182	2,065,055	1,868,054	10,148,183	1,868,054
Other Postemployment Benefits Payable	3,857,186	6,258,194	1,195,530	8,919,850	-
Total Governmental Activities	$ 162,002,486	10,089,369	$ 11,611,097	$ 160,480,758	$ 11,068,596
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable (1)	$ 17,259	$ 10,623	$ 10,587	$ 17,295	$ 10,587
Other Postemployment Benefits Payable (1)	24,958	10,811	24,958	10,811	-
Total Business-Type Activities	$ 42,217	$ 21,434	$ 35,545	$ 28,106	$ 10,587

Note (1): During the 2008-09 fiscal year, the District changed its accounting for the Extended Day Program to a business-type activity. As a result, the portion of the balances reported as of June 30, 2008, for compensated absences and other postemployment benefits related to the Extended Day Program were reported as business-type activities effective July 1, 2008 (see Note 2).

For the governmental activities, compensated absences are generally liquidated with resources of the General Fund. The governmental activities portion of other postemployment benefits payable is liquidated with resources of the internal service fund, and the business-type activities portion is liquidated with nonmajor enterprise fund resources. Insofar as the internal service fund's premium contributions are received from the General Fund, and special revenue funds, these funds indirectly liquidate the governmental activities of other postemployment benefits payable.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
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12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 10,012	$ 529
Capital Projects:		
Local Capital Improvement	1,172,551	11,770
Other	715	9,836
Nonmajor Governmental	529	1,151,660
Nonmajor Enterprise	-	5,622
Internal Service	-	4,390
Total	$ 1,183,807	$ 1,183,807

Interfund receivable and payable balances result from the time lag between the dates that interfund goods and services are provided and payments between funds are made. The receivable in the Capital Projects – Local Capital Improvement Fund represents a loan to the nonmajor governmental Special Revenue – Food Services Fund. Interfund amounts 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	Interfund Transfers Out
Major:		
General	$ 6,688,084	$ -
Capital Projects:		
Local Capital Improvement	-	15,602,054
Other	-	701,742
Debt Service - Other	9,615,712	-
Total	$ 16,303,796	$ 16,303,796

Interfund transfers represent permanent transfers between funds. The transfers out of the Capital Projects – Local Capital Improvement Fund were to pay for maintenance and repair costs of educational plants paid from the General Fund and to provide for debt service payments in the Debt Service – Other Fund. The remaining transfers were operational in nature.

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13. 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 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

14. SCHEDULE OF STATE REVENUE SOURCES

Accounting policies relating to certain State revenue sources are described in Note 1. The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	$ 5,732,117
Categorical Educational Programs:	
Class Size Reduction	17,689,448
Transportation	4,006,348
Instructional Materials	1,681,307
School Recognition	1,110,609
Voluntary Prekindergarten	388,688
Excellent Teaching	350,740
Florida Teachers Lead	249,241
Classrooms for Kids	5,174,852
Gross Receipts Tax (Public Education Capital Outlay)	1,828,066
Workforce Development Program	978,385
Charter School Capital Outlay	701,742
Motor Vehicle License Tax (Capital Outlay and Debt Service)	689,433
Discretionary Lottery Funds	425,336
Mobile Home License Tax	115,980
Food Service Supplement	112,556
Miscellaneous	112,091
Total	$ 41,346,939

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15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.410	$ 80,835,228
Basic Discretionary Local Effort	0.498	9,128,332
Supplemental Discretionary Local Effort	0.102	1,869,658
Total General Fund Taxes Levied		91,833,218
DEBT SERVICE FUNDS		
Voted Tax:		
Special Tax School District No. 1	0.280	5,132,395
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.750	32,077,471
Total	7.040	$ 129,043,084

16. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to the 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 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).

Employees 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. The Plan also includes an early retirement provision; 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.

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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. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 334 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled $1,179,037.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of the FRS. During the 2008-09 fiscal year, contribution rates were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $7,211,916, $7,792,142, and $7,783,110, respectively, which were equal to the required contributions for each fiscal year.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

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.

17. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The District's Postemployment 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 and eligible dependents who retire from the District may continue to participate in the District's self-funded health and hospitalization plan for medical and prescription drug coverages, along with the fully-insured life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plans 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. Additionally, Medicare-eligible retirees receive insurance coverage at a lower premium rate than active employees and do not pay deductibles and copayments. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Funding Policy. For the Postemployment Benefits Plan, contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, the District provided required contributions of $1,220,488 toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions totaling $1,362,137, which represents 1.5 percent of covered payroll.

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 ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. 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:

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

Description	Amount
Normal Cost (service cost for one year)	$ 3,682,824
Amortization of Unfunded Actuarial Accrued Liability	2,329,069
Interest on Normal Cost and Amortization	240,476
Annual Required Contribution	6,252,369
Interest on Net OPEB Obligation	155,286
Adjustment to Annual Required Contribution	(138,650)
Annual OPEB Cost (Expense)	6,269,005
Contribution Toward the OPEB Cost	(1,220,488)
Increase in Net OPEB Obligation	5,048,517
Net OPEB Obligation, Beginning of Year	3,882,144
Net OPEB Obligation, End of Year	$ 8,930,661

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, 2009, and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Contribution Toward the OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-07				
2007-08	$ 5,150,872	$ 1,268,728	24.6%	$ 3,882,144
2008-09	6,269,005	1,220,488	19.5%	8,930,661

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was $68,427,748, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $68,427,748 and a funded ratio of 0 percent. The covered payroll (annual payroll for active participating employees) was $88,372,056 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 77.4 percent.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
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June 30, 2009

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

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 OPEB liability was determined on the entry age normal cost actuarial method. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 10 percent for the 2008-09 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5 percent for the fiscal year ending June 30, 2014. The unfunded actuarial accrued liability and actuarial gains and actuarial losses are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

18. 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
Vero Beach Senior High School Remodel and Renovations:			
Architect	$ 2,185,760	$ 1,850,120	$ 335,640
Contractor (Phase 3)	3,082,800	2,674,152	408,648
Contractor (Phase 4)	3,052,500	206,242	2,846,258
Storm Grove Middle School (formerly School BB):			
Architect	2,095,743	2,026,539	69,204
Contractor	45,645,106	41,590,689	4,054,417
Total	$ 56,061,909	$ 48,347,742	$ 7,714,167

19. CONSORTIUM

The District is a member of, and the fiscal agent for, the East Central Florida Management Training Institute (MTI). The Institute provides training for administrators in the participating districts. The Institute is governed by a Board of Directors composed of the superintendents of the participating school districts. During the 2008-09 fiscal year, MTI had five full members. MTI also provides training on a fee basis to other nonmember districts and individual schools throughout central Florida.

20. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Indian River County District School Board is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which eight district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. SCERMP is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for SCERMP is composed of representatives of all participating districts. Employer's Mutual, Inc., serves as the third-party administrator and fiscal agent for the consortium.

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multidistrict cooperative property and

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

casualty risk management program for the member school boards in which risk of loss is transferred to the group. The School Board makes an annual contribution to the group for its property and casualty group coverage. The interlocal agreement and bylaws of the property and casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a deficiency except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board. In addition, it is the property and casualty group's policy to carry excess coverage through commercial insurance carriers for workers' compensation and property loss claims in excess of $l,000,000 and $100,000 (except wind/hail/flood), respectively. The named wind or named flood deductible is 5 percent of replacement cost value with a minimum of $250,000 per occurrence. Other wind or flood deductible is $100,000 plus $100,000 time element for any one occurrence with flood zone V excluded. Special hazard flood areas are $500,000 per building and $500,000 contents.

The District's third-party administrator for its health self-insurance program is Blue Cross Blue Shield of Florida. The self-insurance program includes excess coverage of claim amounts above $155,000 per insured per year, with a maximum lifetime benefit of $1,845,000 per insured. Premiums received for, and claims (and other expenses) paid on behalf of, Indian River County School Board employees and their dependents are reported in the District's Internal Service Fund.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	$ 3,251,431	$ 12,212,161	$ (11,786,738)	$ 3,676,854
2008-09	3,676,854	13,277,864	(12,943,785)	4,010,933

Settled claims have not exceeded the District's purchased commercial coverage in any of the past three years.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

21. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2008-09 fiscal year (amounts expressed in thousands):

	Medical Insurance	Management Training Institute Consortium	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 11,061	$ 43	$ 11,104
Investments	225	-	225
Due From Other Agencies	385	-	385
Total Current Assets	11,671	43	11,714
Total Assets	$ 11,671	$ 43	$ 11,714
LIABILITIES			
Current Liabilities:			
Accounts Payable and Other Current Liabilities	$ -	$ 1	$ 1
Due to Other Funds	-	5	5
Unearned Revenue	1,192	-	1,192
Estimated Insurance Claims Payable	4,011	-	4,011
Total Liabilities	5,203	6	5,209
NET ASSETS			
Unrestricted	6,468	37	6,505
Total Net Assets	$ 6,468	$ 37	$ 6,505

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

	Medical Insurance	Management Training Institute Consortium	Totals
OPERATING REVENUES			
Charges for Services	$ -	$ 57	$ 57
Premium Revenues	16,255	-	16,255
Other Operating Revenues	273	-	273
Total Operating Revenues	16,528	57	16,585
OPERATING EXPENSES			
Insurance Claims	13,278	-	13,278
Insurance Premiums	2,657		2,657
Service Agent Fees	1,949	-	1,949
Professional and Technical Services	-	77	77
Salaries and Benefits	65	-	65
Materials and Supplies	-	12	12
Other Expenses	-	5	5
Total Operating Expenses	17,949	94	18,043
Operating (Loss)	(1,421)	(37)	(1,458)
NONOPERATING REVENUES			
Investment Earnings (Loss)	(28)	-	(28)
Total Nonoperating Revenues	(28)	-	(28)
Change in Net Assets	(1,449)	(37)	(1,486)
Total Net Assets, Beginning	7,917	74	7,991
Total Net Assets, Ending	$ 6,468	$ 37	$ 6,505

22. LITIGATION

The District is a defendant in various lawsuits arising in the normal course of business, including claims for property damage, personnel injuries, etc. In the opinion of management, the ultimate outcome of the lawsuits, most of which are covered by insurance, will not have a material effect on the District's financial position.

THE SCHOOL BOARD OF INDIAN RIVER COUNTY, FLORIDA
Notes to the Basic Financial Statements
June 30, 2009

23. SUBSEQUENT EVENTS

On October 8, 2009, the School Board issued Tax Anticipation Notes in the amount of $28 million. The note proceeds will provide the District interim funds for the payment of operating expenditures for the 2009-10 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The notes were issued with an interest rate of 2 percent.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

The School Board of Indian River County, Florida
Required Supplementary Information
Schedule of Funding Progress
Single-Employer Postemployment Benefits Plan
June 30, 2009
(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
6-30-2008	$ -	$ 63,310	$ 63,310	0.00%	$ 88,216	71.8%
6-30-2009	$ -	$ 68,428	$ 68,428	0.00%	$ 88,372	77.4%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Board of Indian River County, Florida
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	$ 951,409	$ -
National School Lunch Program	10.555	300	3,173,775	
Summer Food Service Program for Children	10.559	323	210,650	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	351,720	
Total Child Nutrition Cluster			4,687,554	-
Florida Department of Education:				
Child and Adult Care Food Program	10.558	302	162,546	
Fresh Fruit and Vegetable Program	10.582	330	414,943	-
Total United States Department of Agriculture			5,265,043	-
United States Department of Education:				
Direct:				
Fund for the Improvement of Education	84.215	N/A	61,715	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262,263	3,525,096	
Special Education - Preschool Grants	84.173	267	108,225	
St. Lucie County District School Board:				
Special Education - Grants to States	84.027	None	24,247	
Total Special Education Cluster			3,657,568	-
Florida Department of Education:				
Adult Education-Basic Grants to States	84.002	191	163,522	
Title I Grants to Local Educational Agencies	84.010	212,222,226,228	2,259,874	43,568
Migrant Education - State Grant Program	84.011	217	198,282	
Career and Technical Education - Basic Grants to States	84.048	151,161	207,203	
Safe and Drug-Free Schools and Communities State Grants	84.186	103	59,929	
Charter Schools	84.282	298	25,000	25,000
Education Technology State Grants	84.318	121	18,469	
English Language Acquisition Grants	84.365	102	159,557	
Improving Teacher Quality State Grants	84.367	224	752,046	
School Improvement Grants	84.377	126	231,797	
Total Indirect			7,733,247	68,568
Total United States Department of Education			7,794,962	68,568
United States Department of Homeland Security:				
Indirect:				
Florida Division of Emergency Management:				
Hazard Mitigation Grant	97.039 (2)(B)	None	1,225,612	-
United States Department of Justice:				
Direct:				
Public Safety Partnership and Community Policing Grants	16.710	N/A	5,162	-
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	120,692	-
Total Expenditures of Federal Awards			$ 14,411,471	$ 68,568

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amount expended from Federal programs during the 2008-09 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.

(A) National School Lunch Program - Represents the amount of donated food received during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator totaling $386,815 and Federally-paid installation costs of $838,797.

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The President of the Senate, the Speaker of the
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Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Indian River County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Indian River County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial

statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Finding Nos. 1 and 2 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 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 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 is 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 A. 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
December 18, 2009

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The President of the Senate, the Speaker of the
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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 Indian River 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, 2009. 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, 2009.

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.

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.

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.

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

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
December 18, 2009

INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
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*?	No
Identification of major programs:	Special Education Cluster (CFDA Nos. 84.027 and 84.173) and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	$432,344
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

Finding No. 1: Ad Valorem Taxation

In previous years, the Board could levy against the taxable value not more than 2 mills for capital outlay purposes, pursuant to Section 1011.71, Florida Statutes. This section also provided the allowable uses of capital outlay millage levy proceeds that included the purchase of new and replacement equipment.

At June 30, 2008, the Special Revenue – Food Service (SR-FS) Fund had a deficit fund balance of approximately $849,000, and District personnel indicated that a factor contributing to this deficit was cafeteria equipment purchases made during the 1999-2000 through 2007-08 fiscal years. To reimburse the SR-FS Fund for these equipment purchases, the Board approved a transfer, in March 2009, of capital outlay millage proceeds, totaling $1.15 million. However, the transfer represented reimbursement of prior year equipment purchases and not new or replacement equipment, contrary to Section 1011.71, Florida Statutes. In response to our inquiry, District staff reversed the transfer to the SR-FS Fund, resulting in a negative fund balance in the SR-FS Fund at June 30, 2009. Further discussions relating to the deficit in that fund are in Finding No. 3.

In addition, we noted that the District transferred capital outlay millage proceeds, totaling approximately $2.7 million, to the General Fund during the 2008-09 fiscal year for maintenance expenditures incurred before the 2008-09 fiscal year; however, since reimbursement of prior year maintenance expenditures is not explicitly provided for in Section 1011.71, Florida Statutes, the allowability of these costs appears questionable. Further, if the $2.7 million transfer is ultimately disallowed, the unreserved fund balance of the General Fund would represent only 1.1 percent of the total revenues of that fund. As such, the lower than average unreserved fund balance would result in the District having less resources available for emergencies and unforeseen situations than other school districts of comparable size.

Recommendation: The District should continue its efforts to comply with Section 1011.71, Florida Statutes, and provide evidence that the transfer of capital outlay proceeds, totaling approximately $2.7 million, was used for allowable purposes, or the amounts should be restored from the General Fund. In addition, the Board and Superintendent should closely monitor the District's budget and take necessary actions to ensure that adequate fund balances are maintained for operating purposes.

SIGNIFICANT DEFICIENCY

Finding No. 2: Information Technology (IT) – Access Controls

Effective access controls provide users access to data and information technology (IT) resources based on the employee's demonstrated need to view, change, or delete data and restrict users from performing incompatible functions. Periodically reviewing access privileges promotes good internal control and is necessary to ensure that employees cannot access computer resources inconsistent with their assigned job responsibilities. An effective IT environment is designed to control access to computer resources by assigning employees only those system access privileges that are necessary for their job duties and minimize the possibility that an employee could subvert a critical process.

District management reviewed reports to verify that employees were still active, assigned to the appropriate cost center, and assigned an appropriate profile name. However, our review of selected access privileges to the finance and human resource applications, the supporting operating system, and the network disclosed various instances of inappropriate or unnecessary access privileges. The existence of the inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, and destruction of District data and IT resources and indicated a need for improved District management and review of access privileges, operating system profiles, and special authorities assigned to the profiles. Specifically:

- Twenty-four of 36 employees had inappropriate finance access and 3 of 18 employees had inappropriate human resource access, allowing the employees to perform system functions that were incompatible with their assigned job duties. The District did not provide any evidence upon audit request of other controls established to compensate for the lack of an appropriate separation of duties in these instances. The noted instances of inappropriate access indicated a need for the District to identify sensitive or critical transactions within the applications that should be restricted to selected users or administrators.
- Ten employees inappropriately had the capability to add and delete users and modify user access privileges within the application. This access was unnecessary for their assigned job duties and should only be given to employees whose responsibilities are to add or change user access privileges.
- Thirteen Information Services Department employees were inappropriately granted elevated access privileges within the application. This level of access allowed update capability to virtually all functions within the application.
- One hundred six operating system profiles were granted access privileges that did not allow for an appropriate separation of duties or granted inappropriate capabilities.
- Two network accounts had administrative group membership that was unnecessary for the accounts' functions.

In response to audit inquiry, District management stated that they are in the process of reviewing and revising access privileges. When access privileges are not appropriately restricted based on assigned responsibilities, the risk of unauthorized or erroneous disclosure, modification, or destruction of District data and IT resources is increased.

Also, although we did not note any inappropriate access granted to consultants, there were no written procedures for creating, maintaining, or revoking the access privileges of consultants. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

Recommendation: The District should review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges to the application, operating system, and network are compatible with assigned responsibilities and should establish written policies and procedures for the management of consultant access privileges.

ADDITIONAL MATTERS

Finding No. 3: Financial Condition - Food Service Program

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

During the 2007-08 fiscal year, the SR-FS Fund expenditures exceeded its revenues, resulting in a deficit fund balance of approximately $849,000 in the SR-FS Fund. Although District efforts during the 2008-09 fiscal year resulted in the SR-FS Fund revenues exceeding expenditures, the fund ended the fiscal year with a deficit of approximately $501,000. As discussed in Finding No. 1, the District initially attempted to remedy the SR-FS deficit by transferring capital outlay millage proceeds, totaling $1.15 million, to the SR-FS Fund; however, subsequent to our inquiries questioning the allowability of this transfer, the District reversed its entry, resulting in the deficit in the SR-FS Fund. Further inquiries disclosed continued measures to reduce the deficit during the 2009-10 fiscal year, including improving product placement to increase revenues, staff reductions, better management of purchased food items to decrease food costs, and other cost effective measures.

Without sufficient efforts to improve the SR-FS Fund financial condition, the fund may require use of unrestricted General Fund resources to subsidize the food service program, resulting in less funds available for the other educational programs, and adversely impacting the District's efforts to maintain an adequate unreserved fund balance in its General Fund. A similar finding was noted in our report No. 2009-040.

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

Finding No. 4: 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(10) 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 the 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.

We tested District records for 40 of the approximately 2,900 personnel who had direct contact with students, and noted that 12 instructional and 8 noninstructional personnel were not rescreened within the last five years, contrary to the above guidance. The last background screenings and fingerprints obtained for these personnel were during the 2001-02 and 2002-03 fiscal years. In response to our audit inquiry, District staff identified an additional 138 instructional and noninstructional personnel who were not rescreened within the last five years. District personnel, responsible for the screening process, indicated that they were initially unaware that instructional personnel

should repeat the process upon certificate renewal, and the District did not maintain accurate records of all noninstructional personnel who should have screenings updated. Absent the required background screenings, there is an increased risk that staff with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should enhance procedures to ensure that instructional and noninstructional personnel obtain the required background screenings every five years.

Finding No. 5: Maintenance Department

During the 2008-09 fiscal year, the Maintenance Department (Department) employed 60 full-time maintenance staff, including a director, three coordinators, crew chiefs, a work-order specialist, and electrical/air conditioning and other maintenance tradesmen. The District used independent construction contractors and Department personnel to provide maintenance services for 23 schools and administrative and support sites, and Department expenditures totaled approximately $3.4 million.

The Florida Department of Education (FDOE) Office of Education Facilities provides guidance for maintenance operations in a publication titled *Maintenance and Operations Administrative Guidelines for School Districts and Community Colleges*, as presented on its website (http://www.fldoe.org/edfacil/manoguid.asp). This publication provides general directives relating to work control methods, maintenance staff training, reasons for considering contracted services, and other standard operating procedures. Also, Section 1013.38, Florida Statutes, requires the District to maintain facilities by complying with building and life safety codes. In addition, the *State Requirements for Educational Facilities (SREF)*, Chapter 4.3(1)(e), provides that an annual maintenance permit should name the entity that will perform all required inspections and explain how each project is going to be documented and tracked for code compliance. The District's building official issues permits and performs inspections of new construction, additions, remodeling, renovations, structural modifications, major mechanical and electrical upgrades, and roofing.

Work Order System. The District used an automated work order system, and processed approximately 10,000 work orders for schools and support sites during the 2008-09 fiscal year; however, the following control deficiencies of the system were noted:

- The tradesman who performed the maintenance work and school personnel at the work locations typically signed the work orders to evidence completion of the maintenance project. Further, our review of work orders and inquiries indicated that work orders for carpentry and plumbing work contained supervisory approval authorizing such work; however, District records did not evidence supervisory approval authorizing heating, ventilating, air conditioning (HVAC), electrical, and roofing work. Examples of work orders without supervisory authorization and approval of record included replacement of HVAC motors, repair and replacement of cafeteria freezer piping, and installation of new electrical outlets. Without such supervisory authorization, District records did not clearly evidence that supervisory staff properly monitored the maintenance work to be performed and documented that the work was necessary.
- District staff indicated that the Department generated reports from the work order system every two or three months that listed maintenance requests received from schools. While the system collects information that maintenance management staff, such as the director or coordinators, could use to monitor the progress and completion of maintenance projects, District personnel did not use the system for such purposes. Subsequent to our inquiry, the Department Director indicated that the Department would generate and review weekly or bi-weekly reports in the future to better track the status of maintenance projects.

- Our review of District records indicated that approximately 600 of the 10,000 work orders were open as of September 2009; however, District records did not evidence the start dates of the work orders, and District staff was unaware whether the work related to the open work orders was unfinished or completed. Examples of these exceptions included HVAC inspections and coil cleanings, damaged electrical outlets and covers, removal and replacement of drywalls, and window damage. As of October 19, 2009, District personnel are investigating the open work orders to determine their potential resolution and status.
- While the work order system is able to maintain information from the work orders to categorize the priority of the maintenance projects, all work orders indicate the same priority, thereby limiting the District's ability to direct efforts to projects with greatest needs.

Documentation to evidence the proper authorization, priority, and completion of maintenance projects may help ensure that the District timely responds to requests and gives greater priority to those requests indicating the greatest need, thereby decreasing the risk that facilities may further deteriorate or that projects may not be timely completed.

Procedures Manual. In addition to the above, controls over operations for maintenance and repair projects could be further enhanced, as discussed below:

- Upon inquiry, the Department Director provided a two-page narrative that gives broad guidance for operations, providing that work orders be prioritized based on safety measures, facility personnel sign work orders to authorize projects, personnel return completed work orders each day, and other general procedures. While these procedures provide some guidance for the maintenance process, the Department lacked complete, well-documented policies and procedures to describe the scope of the function and its activities, as set forth in the FDOE maintenance publication mentioned above. For example, the two-page narrative lacked information to have in place a consistent and documented methodology to initiate, receive, process, document, and effectively respond to work order requests, including the anticipated time and date to commence requested work, cost, and date for completion of necessary maintenance and repairs. In addition, the narrative did not evidence the process to ensure the timely training of Department staff.
- District records did not evidence the process for determining which maintenance projects would be subject to inspections by Department staff, other District staff, or independent contractors to ensure compliance with building and life safety codes pursuant to Section 1013.38, Florida Statutes, and Chapter 4.3(1)(e) of the SREF. District personnel indicated that the building official inspected the work of contractors engaged by the Facilities, Planning and Construction (Facilities) Department, and the Department was responsible, as required, for inspection of maintenance projects; however, the District did not maintain records to assign inspection responsibilities between the two departments. Although the building official issued annual maintenance permits to the maintenance coordinators to facilitate routine maintenance, emergency repairs, building refurbishment and minor renovations of systems or equipment, District records did not evidence whether the required inspections of maintenance projects were performed.
- District records did not evidence any written warranty procedures or a system, either automated or manual, for tracking warranties for District facilities. District personnel indicated that Facilities typically provided copies of warranty documents to the Department after the expiration of the one-year builder's warranty period, and the Department was responsible for tracking warranties, such as air conditioning systems and roofing warranties. However, our review of District records for two construction projects completed in Summer 2006 (New Liberty Magnet School, costing $11.8 million; and Gifford Middle School Gymnasium, costing $4.2 million) disclosed that the Department did not have warranties on hand for these projects.

Without written procedures or a comprehensive system for tracking warranties, the District faces an increased risk of paying for repairs that may be covered by either the contractor's or manufacturer's warranties.

Establishing a Department Procedures Manual would provide guidance to ensure appropriate training of new staff as well as to provide an aid in bridging the transition in the event of a loss of key Department or school-level personnel. Such procedures manuals serve to document the duties of key personnel, such as the responsibilities for ensuring compliance with applicable building codes and for maintaining warranty information, and may also serve to communicate management's commitment to and support of a strong system of internal control.

Recommendation: The District should enhance the effectiveness of the Department by developing and adopting complete and well-documented procedures. Such procedures should establish the duties and responsibilities of personnel in maintaining District facilities and equipment, and ensure that maintenance projects are properly authorized, prioritized for completion, monitored, timely completed, and comply with applicable building and life safety codes.

Finding No. 6: Insurance

Enhancements could be made in monitoring procedures to ensure the adequacy of insurance coverage for charter schools sponsored by the District, and work performed by construction managers, as discussed below:

Charter School Insurance. During the 2008-09 fiscal year, the District sponsored five charter schools which were required to provide evidence to the District of certain insurance coverages with specified limits. However, as disclosed below, enhancements could be made in monitoring such insurance:

- Although the agreements for two charter schools required an annual aggregate general liability coverage of $3 million each, the insurance certificates for the two schools indicated that the policy limits were only $1 million and $2 million, respectively.
- District records did not evidence that errors and omissions insurance was in effect for two charter schools. Additionally, although another charter school's agreement required errors and omissions coverage, totaling $5 million, District records indicated that the charter school only carried coverage of $1 million.
- District records indicated that two charter schools provided workers' compensation coverage of $500,000 each, although the charter agreements' required minimum limits were $1 million per occurrence and $3 million annual aggregate. Additionally, another charter school's agreement required minimum limits of $1 million per accident/employee and a $1 million policy limit; however, District records indicated policy limits of $100,000 each accident/employee and a $500,000 policy limit.
- District records did not evidence commercial crime insurance for two charter schools, contrary to the charter school agreement of $100,000 per commercial crime loss.
- The insurance cancellation notice contained in the insurance certificates of three charter schools allowed the schools to notify the District from 10 to 30 days prior to cancelling the insurance, contrary to the charter school agreements that required no less than a 60-day cancellation notice.

Construction Contract Insurance. The Board approved construction contracts, totaling $46 million, and $3.1 million, for the Storm Grove Middle School and Vero Beach High School Renovation Phase IV projects, respectively. The District funded both projects by issuing certificates of participation (COPs); however, the District did not

purchase builder's risk insurance for either project, even though it was required by the District's construction contracts and COP agreements.

Without adequate procedures to monitor the insurance coverage of charter schools and construction projects, there is an increased risk that such coverage may not be adequate, subjecting the District to potential losses. A similar finding was noted in our report No. 2009-040.

Recommendation: The District should enhance procedures to ensure that its charter schools maintain insurance as required, and that construction projects are properly insured.

Finding No. 7: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Specific Appropriation 120, states that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with FDOE instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

During the 2008-09 school year, the District reported 379,018 contact hours to FDOE. Our review of the District's reporting of 41 adult general education classes, representing 2,192 hours, given during Fall 2008, for nine students disclosed the following control deficiencies:

- Our tests disclosed that the contact hours reported to FDOE were not always in agreement with the District's attendance records, resulting in 1,797.50 hours overreported, and 1.50 hours underreported. Based upon inquiries, the errors occurred because of clerical inputting errors.
- The District reported hours based on the number of courses for which students enrolled, instead of the actual hours of student attendance, resulting in hours overreported to FDOE. For example, the District reported five hours for a student who attended a single hour for five courses. Based on the District's reporting process and inquiries with District staff, we expanded our procedures to estimate that approximately 50,000 and 96,000 hours were overreported for the Fall and Spring 2009 semesters, respectively.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data is submitted correctly. A similar finding was noted in our report No. 2009-040.

Recommendation: The District should enhance its controls over the reporting of adult general education contact hours to FDOE to ensure that contact hours are reported according to FDOE's guidelines. Further, the District should determine the extent of adult basic education hours overreported and contact FDOE for proper resolution.

Finding No. 8: IT – Timely Removal of Access Privileges

Effective management of IT access privileges includes the timely removal of employee access privileges when employees separate. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others. The District developed a program that scans the human resource system date of termination and automatically revokes network access privileges. This program also produces a report that is used by the Information Services Department to remove operating system and application access.

Our test of 147 former employees who terminated employment during the period from July 1, 2008, to May 31, 2009, disclosed that one employee had an active operating system identification code for five days after the employee's separation date and five employees remained active in the network directory service from 51 to 235 days after the employees' separation dates. Without timely deletion of former employees' access, the risk is increased that access privileges could be misused by the former employee or others. A similar finding was noted in our report No. 2009-040.

Recommendation: The District should timely remove the access privileges of former employees to minimize the risk that access privileges could be used to compromise District data or IT resources.

Finding No. 9: IT - Security Awareness Training Program

A comprehensive security awareness training program apprises new users of, and reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. The District's security awareness training program included an Acceptable Use Policy that was reviewed and affirmed prior to accessing computer resources and reaffirmed annually. The program also included periodic security issue coverage and dissemination to all computer users, periodic notifications of security vulnerabilities, and a vendor Non-Disclosure Statement. However, the security training did not address certain security responsibilities related to acceptable or prohibited methods for storage and transmission of data, workstation controls, portable devices, and the handling of sensitive or confidential information. The District's failure to address certain issues in their security awareness training program increases the risk that the District's IT resources could be unintentionally compromised by users while performing their assigned duties.

Recommendation: The District should improve its security awareness training program by addressing the security responsibilities discussed above to ensure that all users are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

Finding No. 10: IT – Program Change Controls

Effective controls over changes to application programs and systems 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 providing written evidence of the program change process, independent testing and approval of program changes, separating the responsibility for moving approved changes into the production environment from employees who developed the changes, and restricting programmers from accessing or updating production data.

Our audit disclosed that the District did not have a formal program change methodology, had not maintained documentation of the program change process, and did not restrict programmers from accessing or updating production programs and data. Without a formal program change methodology, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection.

Recommendation: **The District should implement a formal program change methodology that includes maintaining documentation of the program change process and independent testing and approval of program changes. The District should also restrict programmers from accessing or updating production programs and data and separate the responsibilities for developing and moving program changes.**

Finding No. 11: IT – Security Controls – Passwords, Workstations, and Logging

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to passwords, workstations, and logging 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.

Recommendation: **The District should improve security controls related to passwords, workstations, and logging to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-040.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2007-144 (1)	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) - Allowable Costs/Cost Principles	The District did not provide expense support for small projects and, as a result, $509,681 is considered questioned costs. In addition, $3,112,457 of large projects were obligated by FEMA; however, the District had not requested reimbursement for these costs.	Uncorrected	Condition remains the same for 2008-09.
2008-075 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Allowable Costs/Cost Principles - Personnel Costs	District personnel were erroneously charged to the Title I program resulting in the program being overcharged by $27,196. Additionally, personnel activity reports were not maintained for an employee resulting in questioned costs of $19,025.	Corrected	The funds were restored to the Title I program. Procedures were enhanced to ensure that employees working on multiple cost activities are correctly reported and charged.
2008-075 (2)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Allowable Costs/Cost Principles - Indirect Costs	The District overcharged the program by charging a higher indirect cost rate than allowed by the grantor. As a result, the Title I program was overcharged $47,010.	Corrected	The funds were restored to the Title I program.

EXHIBIT A
MANAGEMENT'S RESPONSE

School District of Indian River County
1990 25th Street • Vero Beach, Florida 32960-3395 – Telephone: 772-564-3000 • Fax: 772-569-0424

Harry J. La Cava, Ed.D.
Superintendent

December 1, 2009

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

Dear Mr. Martin:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Indian River County as a result of the audit for the fiscal year ended June 30, 2009. The following are the responses as submitted by the appropriate staff.

Finding No. 1: Ad Valorem Taxation

While the District understands the auditor's position, it respectfully disagrees with the auditor's assessment that section 1011.71 Florida Statutes proceeds were not used for allowable purposes. As the documentation provided to the auditors evidences, the $2.7 million transaction is based on the buyback of prior year's maintenance expenditures that were incurred in the General Fund to assist with the maintenance, renovation and repair of existing school plants and leased facilities. These lawful expenditures were underfunded in the General Fund by the capital funds over a period of three years and have resulted in the balances in the capital funds for those successive years being overstated. All expenditures of funds for this lawful purpose were duly advertised to the public in our district's notice of proposed tax for school capital outlay in those attendant years from which the transfers occurred. We believe that the statute does not explicitly prohibit this application of the law and is silent as to restoring to the general fund, amounts that are necessary to correct a deficiency of maintenance expenditure buybacks in the capital funds in prior years. However, in an effort to resolve this matter, the District will consult with the Florida Department of Education regarding the allowability of these expenditures and will comply with their recommended guidance.

"Educate and inspire every Student to be successful"

Karen Disney-Brombach District 1 • Matthew McCain District 2 • Carol Johnson District 3 • Claudia Jiménez District 4 • Debbie J. MacKay District 5

"To serve all students with excellence"
Equal Opportunity Educator and Employer

Finding No. 2: Information Technology (IT) – Access Accounts

Bullet No. 1 The District concurs with the auditors finding in this area. Current employee profiles are being reviewed and changed to reflect what their job responsibilities are, and to determine what panels they will need access to TERMS. When a new employee requires access to TERMS, information is requested to determine if they are replacing someone in that same position and if not what panels they will need access to according to their job description. This has to come in the form of an email from their administrator which is then moved over electronically and filed.

Bullet No. 2 The District concurs with the auditors finding in this area. New templates are being put into place specifically for the individual employee based on their job requirements. Profiles are being changed to reflect the employee name and position instead of a general profile for multiple employees.

Bullet No. 3 The District concurs with the auditors finding in this area. In reviewing the Information Technology Department, 13 employees that were granted elevated access privileges within the application. The profiles have been changed to reflect their job requirements. These profiles will have "view-only" access to any other panels other than the ones they require.

Bullet No. 4 The District concurs with the auditors finding in this area. The one hundred six operating system profiles granting access privileges have been corrected allowing for appropriate separation of duties.

Bullet No. 5 The District concurs with the auditors finding in this area. The two accounts in question were removed. It was quickly determined that they were necessary as domain administrators and were added back. We are evaluating what needs necessitate classification as domain administrators, so we can pare down this group. We are continuing to make service accounts out of as many domain administrative accounts as possible.

Finding No 3.: Financial Condition – Food Service Program

The District noted the auditor's disagreement with the use of proceeds from the tax levy and, as noted in Finding #1, reversed the entry to repurchase prior year's expenditures of food service equipment at various schools. We will continue to monitor the financial condition of the program as recommended.

Finding No. 4: Fingerprinting Requirements The District concurs with the auditors finding in this area. In response to the findings we have begun implementing the following procedures:

1. Staff has implemented a process requiring that any employee who is renewing his/her certificate will also be fingerprinted. Teachers are being instructed in writing to make an appointment to be fingerprinted when they bring their renewal application in for processing. Their certificate will not be renewed until their fingerprints have been updated.

2. For non-certified personnel, we will request a report each semester to identify employees whose fingerprints need to be updated. We will update those employees before their due date.

3. We are requesting a report identifying all employees with active or official leave status who do not have fingerprint data in TERMS and will enter the data and update fingerprints as needed.

Finding No. 5: Maintenance Department The District concurs with the auditors finding in this area. The District will enhance the effectiveness by developing the audit recommendations to develop and adopt well-documented procedures. These procedures will entail a clear delineation of the duties and responsibilities of personnel in maintaining district facilities and equipment and implement controls to ensure that maintenance projects are properly authorized and prioritized for completion, monitored, timely completed and comply with the applicable building codes as recommended by the audit.

Finding No. 6: Insurance The District concurs with the auditors finding in this area. In response to the findings pertaining to charter school insurance, past practice has been to notify the charter school contact if insurance coverage was not at the appropriate level. Written correspondence will now be sent via registered mail stating that the insurance coverage noted on the certificate is not in compliance with F.S. Statute 1002.33 (7) (a) (11) and the charter school contract with the School District of Indian River County. If the required coverage is not in force and a revised certificate sent to the Risk Manager's attention within fourteen (14) days of the letter, the failure to comply with the insurance requirements by the charter school will be reported to the Superintendent for further action.

Finding No. 7 Adult General Education Courses The District concurs with the auditors finding in this area. Adult and Community Education and Information Services staff has implemented a procedure that will eliminate the problem of over-reporting contact hours. Faculty enters the time that each student is present using a computer generated Excel spread sheet which automatically updates the attendance for each student on the Excel sheet. The attendance information received from the faculty is inputted into TERMS, student data base software, by the senior data clerk. To ensure the same data is transmitted through WDIS, the Student Systems Analyst of Information Services has modified the vendor supplied reporting program to eliminate calculation of student hours when extracting the data from TERMS. Therefore, the number of hours reported for each student will remain consistent and will no longer be calculated using WDIS. This procedure will enhance the reporting system to Florida's Department of Education that contact hours are reported according to guidelines as stated in Chapter 2008-152, Specific Appropriation 120. Adult and Community Education will contact the appropriate persons in WDIS and Career and Adult Education for proper resolution.

Finding No. 8 IT – Timely Removal of Access Privileges The District concurs with the auditors finding in this area. The current IT process has been enhanced to create delete events for back-dated job terminations, and back-dated district separations. The current IT process also creates a nightly detail report, and email notifications. The original process did not compensate for back-dated termination or district separations and it did not include reporting functionality or email capability. In addition, a new Termination Report has been developed. This report is emailed to Network Operations nightly and YTD Terminations have been provided as well. These enhancements have been

implemented in an effort to ensure the timely removal of access privileges for former employees.

Finding No. 9 Security Awareness Training Program The District concurs with the auditors finding in this area. We are creating documents for various aspects of Security Awareness. Bullet items from these will be placed in the Acceptable Use Policy along with hyperlinks to these documents.

Finding No. 10 Program Change Controls The District concurs with the auditors finding in this area. The primary objective of this procedure is to establish a standardized approach to be used by the district to ensure that only authorized and properly functioning changes are implemented to application software used by the District.

Finding No. 11 Security Controls – Passwords, Workstations, and Logging The District concurs with the auditors finding in this area. We have implemented additional password security controls to our network to include a password change policy that requires users to change their password every 90 days. The new password policy now requires a strong password which must meet certain specifications to be accepted by the network. The District will continue to monitor the improvement in this area of our network security.

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

Sincerely,

Harry J. La Cava, Ed.D.
Superintendent

Cc: School Board Members
Michael Degutis
Carter Morrison