

**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA**

**Financial Statements  
for the year ended  
June 30, 2009**



This page was intentionally left blank.

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**

**Table of Contents**

	Page
Report of Independent Auditors.....	1 – 2
Management’s Discussion and Analysis.....	3 – 10
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	21
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Other Federal Funds.....	22
Statement of Net Assets – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Net Assets – Fiduciary Funds.....	26
Notes to the Basic Financial Statements.....	27 - 53

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress – Other Postemployment Benefits Plan ..... 55

**COMPLIANCE AND SINGLE AUDIT**

Schedule of Expenditures of Federal Awards ..... 57 - 58

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 59 - 60

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133..... 61 - 62

Schedule of Findings and Questioned Costs ..... 63

Summary Schedule of Prior Audit Findings..... 64

**OTHER INFORMATION**

Independent Auditors' Management Letter..... 65 – 66



## **Report of Independent Auditors**

The Honorable Members of the School Board  
District School Board of Escambia County  
Pensacola, Florida

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Escambia County, Florida (the "District"), as of and for the 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 School Board of Escambia County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units listed in Note 1 to the financial statements. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units, are based solely 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Escambia County, Florida, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and special revenue other federal programs 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 our report dated December 22, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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 and Schedule of Funding Progress on pages 3 through 10 and 55, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. 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. The schedule of expenditures of federal awards 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

*Cherry, Bekant & Holland, C.P.A.*

Orlando, Florida  
December 22, 2009

---

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

---

The management of the District School Board of Escambia County, Florida has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- The assets of the District exceeded its liabilities at June 30, 2009, by \$334.5 million (net assets).
- The District's total net assets increased by \$12.8 million.
- At June 30, 2009, the District's governmental funds reported combined fund balances of \$140.7 million, a decrease of \$19.1 million from the prior fiscal year.
- At June 30, 2009, the unreserved fund balance for the General Fund was \$24.4 million, or 8.2 percent of total General Fund Expenditures.
- The District's total long-term debt (Bonds Payable and Certificates of Participation) decreased by \$3.6 million, or 5.7 percent during the current fiscal year. The key factor in this decrease was the payment of principal.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### **Government-Wide Financial Statements**

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents aggregate financial information for the following seven separate legal entities in this report: Escambia Charter School, Inc., Beulah Academy of Science, Inc., Pensacola Beach Elementary School, Inc., Byrneville Elementary School, Inc., Dr. Ruby J. Gainer School for Reaching Your Dream, Jacqueline Harris Preparatory Academy, and the Escambia County Public Schools Foundation For Excellence, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Escambia School District Employee Benefit Trust (Trust) has been established to administer the District's employee life, health, and dental insurance programs. The Escambia County District School Board exercises significant oversight responsibility over the Trust, and all activities of the Trust are solely for the benefit of the District and its employees. Therefore, the financial activities of the Trust have been included (blended) as an integral part of the primary government.

### **Fund Financial Statements**

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

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

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



expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the General Fund and Special Revenue – Other Federal Programs Fund to demonstrate compliance with the budget.

**Proprietary Funds.** Proprietary funds may be established to account for activities in which a fee is charged for services.

- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for risk management, employee benefits, and warehouse activities. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined in a single, aggregated column in the proprietary fund 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 agency funds to account for resources held for student activities and groups and to account for the resources of the District's pre-tax flexible benefits plan.

### **Notes to Financial Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 202,704,555	\$ 224,355,845
Capital Assets	<u>279,065,632</u>	<u>252,129,370</u>
<b>Total Assets</b>	<u>481,770,187</u>	<u>476,485,215</u>
Long-Term Liabilities	127,457,433	134,449,464
Other Liabilities	<u>21,721,205</u>	<u>20,344,503</u>
<b>Total Liabilities</b>	<u>149,178,638</u>	<u>154,793,967</u>
Net Assets:		
Invested in Capital Assets -		
Net of Debt	217,895,405	188,476,535
Restricted	125,051,180	141,958,454
Unrestricted (Deficit)	<u>(8,434,689)</u>	<u>(8,743,741)</u>
<b>Total Net Assets</b>	<u>\$ 334,511,896</u>	<u>\$ 321,691,248</u>

The largest portion of the District's net assets, \$217.9 million, reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, equipment, motor vehicles, computer software, and audio visual materials), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets, \$125.1 million, represents resources that are subject to external restrictions on how they may be used. Normally, the unrestricted net assets are used to meet the government's ongoing obligations to students, employees, and creditors. The District's deficit unrestricted net assets results primarily from the recognition of a liability for accumulated employee annual and sick leave balances reported as compensated absences. This liability, totaling \$40.3 million, will be paid over future years when vested employees are paid for their leave upon separation from the District.

Total net assets increased during the fiscal year. The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

	<b>Operating Results for the Year</b>	
	Governmental	
	Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 7,356,635	\$ 7,122,221
Operating Grants and Contributions	23,782,878	22,893,049
Capital Grants and Contributions	5,549,903	12,787,860
General Revenues:		
Property Taxes, Levied for Operational Purposes	97,379,871	85,413,366
Property Taxes, Levied for Capital Projects	27,210,547	29,869,892
Local Sales Taxes	19,438,020	20,655,828
Grants and Contributions Not Restricted to Specific Programs	204,808,168	224,459,137
Unrestricted Investment Earnings	1,743,725	5,787,426
Miscellaneous	3,319,666	4,756,160
Insurance Loss Recoveries	1,085,919	4,464,012
Transfers		4,755
<b>Total Revenues and Transfers</b>	<b>391,675,332</b>	<b>418,213,706</b>
Functions/Program Expenses:		
Instruction	205,755,887	210,699,076
Pupil Personnel Services	16,952,375	17,159,487
Instructional Media Services	5,302,170	5,591,263
Instruction and Curriculum Development Services	10,898,048	11,812,859
Instructional Staff Training	7,202,670	7,787,869
Instruction Related Technology	3,105,660	3,267,448
Board of Education	1,169,146	1,212,416
General Administration	1,609,860	1,525,336
School Administration	14,449,919	15,674,843
Facility Services	22,275,464	31,604,053
Fiscal Services	2,211,047	2,386,653
Food Services	18,394,973	18,578,045
Central Services	3,830,766	5,103,314
Pupil Transportation Services	18,143,178	17,894,762
Operation of Plant	27,722,642	28,308,033
Maintenance of Plant	11,125,532	11,875,929
Administrative Technology Services	3,719,871	3,813,897
Community Services	985,155	897,108
Interest on Long-Term Debt	2,876,984	3,251,291
Loss on Disposal of Capital Assets	1,123,337	334,149
<b>Total Functions/Program Expenses</b>	<b>378,854,684</b>	<b>398,777,831</b>
<b>Increase in Net Assets</b>	<b>12,820,648</b>	<b>19,435,875</b>
<b>Beginning Net Assets</b>	<b>321,691,248</b>	<b>302,255,373</b>
<b>Ending Net Assets</b>	<b>\$ 334,511,896</b>	<b>\$ 321,691,248</b>

Governmental Activities increased the District's net assets by \$12.8 million. Key elements of the increase are as follows:

- Restricted Net assets for Categorical Carryover Programs increased \$3.3 million.
- The capital projects (construction) revenues received during the current fiscal year are disbursed on construction projects and other capital assets that will be capitalized and expensed in future years through depreciation. If these funds are not disbursed at year-end, they are reported as current assets and restricted net assets. Investments in Capital Assets, Net of Related Debt, increased by \$29.4 million, and Restricted Net Assets for Capital Projects decreased by \$20.7 million from the previous fiscal year.

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

### **Major Governmental Funds**

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$24.4 million, while the total fund balance is \$37.6 million. The unreserved fund balance decreased by \$.4 million, while the total fund balance increased by \$.5 million during the fiscal year. Key factors for these changes are as follows:

- State and local property tax revenues were \$4.8 million less than initially budgeted or projected, total General Fund revenues decreased \$13.8 million from the previous fiscal year. State revenues were lower than projected because State revenues based on student enrollment were reduced due to a reduction in weighted full-time equivalent (FTE) students (532) from the initial State projection (43,852) and due to other State revenue reductions. Property taxes were more than budgeted because delinquent taxes were collected on beach property in litigation, and currently, are not collectable.
- The District's General Fund also receives other financing sources from transfers from other funds and, in recent years, from insurance and hurricane recoveries resulting from Hurricanes Ivan, Dennis, and Katrina. These other financing sources decreased approximately \$3.3 million from the previous fiscal year, primarily from reductions in insurance and hurricane recoveries as the District completes its repairs resulting from those storms.
- The District anticipated revenue shortfalls due to the economic downturn and took action to reduce expenditures during the fiscal year. General Fund expenditures were \$20.3 million less than the previous fiscal year.

The Special Revenue – Other Federal Programs Fund has a fund balance of \$7.1 thousand. The fund balance fluctuates slightly because the majority of the funds are requested as expenditures are finalized.

The Capital Projects – Local Capital Improvement Fund has a fund balance of \$13.4 million. The fund balance decreased by \$3.6 million due to a decrease in local capital improvement property taxes collected and an increase in expenditures incurred during the 2008-09 fiscal year.

The Capital Projects – Other Fund has a fund balance of \$74.1 million. The fund balance decreased by \$12.9 million due primarily to lack of funding by the state for Class Size Reduction, decreased interest income, local sales tax collections, property tax collections, public education capital outlay and increased expenditures.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the 2008-09 fiscal year, the District experienced several reductions in State funding from the Florida Department of Education. These reductions were the result of a Statewide economic downturn, which resulted in revenue collections that were significantly lower than originally projected when the State's 2008-09 fiscal year budget was developed. As a result of the reductions, the District received State funding of \$7.4 million less than originally projected which was a 4 percent reduction. A portion of the reduction in State funding to the District was the result of a continuing decline in student population. The measure of student population used for calculation of State revenues is weighted full-time equivalent (FTE). The

projected 2008-09 budget for State revenues was based on weighted FTE of 43,852. Collected State revenues were based on actual weighted FTE of 43,320, a decrease of 532 (1.21 percent).

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

### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$279 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$26.9 million or 10.7 percent.

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

- Completion of Pensacola High Athletic Upgrades.
- Completion of Escambia Westgate Media Center.
- Completion of Warrington Middle Cafeteria Expansion.
- Purchased property for new downtown elementary school.

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2009, the District has total long-term debt outstanding of \$61.1 million. The District had \$9.3 million outstanding of State School Bonds issued by the State Board of Education (SBE) and backed by the full faith and credit of the State of Florida. Capital leases totaled \$1.0 million. The remainder of this debt represents \$50.8 million in Certificates of Participation.

Additional information on the District's long-term debt can be found in Notes 7 through 11 to the financial statements.

## **ECONOMIC FACTORS AFFECTING 2009-10 FISCAL YEAR BUDGETS AND RATES**

These factors were considered in preparing the District budget for the 2009-10 fiscal year:

- The unemployment rate for Escambia County, Florida is currently 9.9 percent, which is an increase from the rate of 5.5 percent a year ago. Escambia County's unemployment rate is less than the State's average unemployment rate of 10.2 percent.

In the General Fund, the District plans to use \$7.3 million of unreserved fund balance to cover planned expenditures during the 2009-10 fiscal year. The District anticipates that this use of unreserved fund balance will be significantly replenished at year-end through unspent appropriations and actual property tax revenues exceeding budgeted amounts. The District anticipates that the fund balance at June 30, 2010, will be in excess of the Board target of 2.5 percent (of the anticipated revenue).

Although the amount of designated fund balance in the General Fund increased by \$.4 million to \$14.4 million in the 2008-09 fiscal year, the District plans to spend all of the designated fund balance at June 30, 2009, during the 2009-10 fiscal year.

For the 2009-010 fiscal year, expected state sources of funding in the general fund decreased by 22.4 million, offset by the expected receipt of \$13.2 million in State Fiscal Stabilization Funds. The State Fiscal Stabilization Funds are federal funds received by the state as part of the American Recovery and Reinvestment Act (ARRA). The State passed through a portion of the ARRA funds to school districts to offset the decreases in general fund revenues that resulted from lost state revenues due to the economic downturn.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent of Finance and Business Services, District School Board of Escambia County, 215 West Garden Street, Pensacola, FL 32502.

# BASIC FINANCIAL STATEMENTS



This page was intentionally left blank.



**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	<b>Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 189,035,766	\$ 2,369,855
Investments	1,364,030	1,398,430
Accounts Receivable	738,672	51,895
Interest Receivable	15,306	
Deposits Receivable	5,300	1,366
Prepaid Items		69,649
Due from Other Agencies	8,892,225	8,645
Inventories	2,653,257	
<b>Total Current Assets</b>	<b>202,704,555</b>	<b>3,899,840</b>
Noncurrent Assets:		
Deferred Charges	1,920,347	
Capital Assets:		
Non-Depreciable Capital Assets	23,204,593	695,479
Depreciable Capital Assets, Net	255,861,039	5,507,581
<b>Total Noncurrent Assets</b>	<b>280,985,979</b>	<b>6,203,060</b>
<b>TOTAL ASSETS</b>	<b>\$ 483,690,534</b>	<b>\$ 10,102,900</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Salaries and Benefits Payable	\$ 212,620	\$
Payroll Deductions and Withholdings	4,606,424	
Accounts Payable	4,906,511	344,978
Construction Contracts Payable	992,497	
Construction Contracts Payable - Retainage	901,041	
Due to Other Agencies	5,679,752	
Interest Payable	1,119,642	
Unearned Revenue	3,302,719	85,660
Long-Term Liabilities -- Portion Due Within One Year:		
Obligations Under Capital Leases	658,953	102,531
Notes Payable		226,443
Bonds Payable	960,000	
Estimated Insurance Claims Payable	7,743,785	
Certificates of Participation Payable	2,761,000	
Compensated Absences Payable	4,218,979	23,152
<b>Total Current Liabilities</b>	<b>38,063,922</b>	<b>782,764</b>
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Obligations Under Capital Leases	379,275	279,296
Notes Payable		1,964,501
Bonds Payable	8,331,284	
Estimated Insurance Claims Payable	18,097,287	
Certificates of Participation Payable	48,079,715	
Compensated Absences Payable	36,112,155	14,043
Postemployment Health Care Benefits Payable	115,000	
<b>Total Noncurrent Liabilities</b>	<b>111,114,716</b>	<b>2,257,840</b>
<b>Total Liabilities</b>	<b>149,178,638</b>	<b>3,040,604</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	217,895,405	3,630,289
Restricted for:		
State Categorical Programs	7,549,726	
Debt Service	4,960,103	
Capital Projects	91,852,101	85,004
Employee Benefits	14,457,394	
Other Purposes	6,231,856	524,118
Unrestricted	(8,434,689)	2,822,885
<b>Total Net Assets</b>	<b>334,511,896</b>	<b>7,062,296</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 483,690,534</b>	<b>\$ 10,102,900</b>

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 205,755,887	\$ 1,146,218	\$
Pupil Personnel Services	16,952,375		
Instructional Media Services	5,302,170		
Instruction and Curriculum Development Services	10,898,048		
Instructional Staff Training Services	7,202,670		
Instruction Related Technology	3,105,661		
Board of Education	1,169,146		
General Administration	1,609,860		
School Administration	14,449,919		
Facility Services	22,275,464		
Fiscal Services	2,211,047		
Food Services	18,394,973	5,753,396	12,954,746
Central Services	3,830,766		
Pupil Transportation Services	18,143,178	457,021	10,828,132
Operation of Plant	27,722,642		
Maintenance of Plant	11,125,532		
Administrative Technology Services	3,719,871		
Community Services	985,155		
Interest on Long-Term Debt	2,876,984		
Loss on Disposal of Capital Assets	1,123,337		
<b>Total Governmental Activities</b>	<u>378,854,685</u>	<u>7,356,635</u>	<u>23,782,878</u>
<b>Component Units</b>			
Charter Schools	\$ 7,033,800	\$ 239,071	\$ 754,263
Escambia County Public Schools Foundation for Excellence, Inc.	538,944		
<b>Total Component Units</b>	<u>\$ 7,572,744</u>	<u>\$ 239,071</u>	<u>\$ 754,263</u>

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues and Transfers**

**Change in Net Assets**

Net Assets, July 1, 2008

**Net Assets, June 30, 2009**

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>
\$	\$	\$
	(204,609,669)	
	(16,952,375)	
	(5,302,170)	
	(10,898,048)	
	(7,202,670)	
	(3,105,661)	
	(1,169,146)	
	(1,609,860)	
	(14,449,919)	
4,099,548	(18,175,916)	
	(2,211,047)	
	313,169	
	(3,830,766)	
	(6,858,025)	
	(27,722,642)	
	(11,125,532)	
	(3,719,871)	
	(985,155)	
1,450,355	(1,426,629)	
	(1,123,337)	
<u>5,549,903</u>	<u>(342,165,269)</u>	
		(6,040,466)
		(538,944)
		<u>(6,579,410)</u>
	97,379,871	
	27,210,548	
	19,438,020	
	204,808,168	6,839,299
	1,743,725	59,638
	<u>4,405,585</u>	
	354,985,917	<u>6,898,937</u>
	12,820,648	319,527
	<u>321,691,248</u>	<u>6,742,769</u>
	<u>\$ 334,511,896</u>	<u>\$ 7,062,296</u>

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**DISTRICT SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2009**

	<u>General Fund</u>	<u>Other Federal Programs Fund</u>
<b>ASSETS</b>		
Cash	\$ 46,506,812	\$ 125,812
Investments		
Accounts Receivable	466,702	108,572
Interest Receivable	2,904	
Deposits Receivable	5,300	
Due from Other Funds	2,476,364	
Due from Other Agencies	846,854	2,461,780
Inventories	1,316,108	
<b>TOTAL ASSETS</b>	<u>\$ 51,621,044</u>	<u>\$ 2,696,164</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Salaries and Benefits Payable	\$ 196,613	\$ 15,290
Payroll Deductions and Withholdings	4,606,423	
Accounts Payable	1,981,010	560,400
Construction Contracts Payable		
Construction Contracts Payable - Retainage		19,520
Due to Other Funds	1,575,764	2,093,851
Due to Other Agencies	3,048,705	
Interest Payable		
Loan Payable	2,571,706	
<b>Total Liabilities</b>	<u>13,980,221</u>	<u>2,689,061</u>
Fund Balances:		
Reserved for State Categorical Programs	7,549,726	
Reserved for Encumbrances	1,336,715	
Reserved for Inventories	1,316,108	
Reserved for Debt Service		
Reserved for Legal Restrictions	3,005,887	
Unreserved:		
Designated, Reported in General Fund:		
Designated for Local Carryover Projects	14,418,124	
Undesignated, Reported in:		
General Fund	10,014,263	
Special Revenue Funds		7,103
Debt Service Funds		
Capital Projects Funds		
<b>Total Fund Balances</b>	<u>37,640,823</u>	<u>7,103</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 51,621,044</u>	<u>\$ 2,696,164</u>

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

<b>Capital Projects - Local Capital Improvement Fund</b>	<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 15,812,550	\$ 73,201,340	\$ 11,386,287	\$ 147,032,801
		1,364,030	1,364,030
2,730	2,778	2,645	577,919
		1,662	10,074
			5,300
		7,446	2,483,810
	2,726,225	2,857,365	8,892,224
		1,337,149	2,653,257
<u>\$ 15,815,280</u>	<u>\$ 75,930,343</u>	<u>\$ 16,956,584</u>	<u>\$ 163,019,415</u>
\$	\$	\$ 717	\$ 212,620
			4,606,423
2,111,607	157,283	60,837	4,871,137
107,736	825,399	59,361	992,496
	846,993	34,528	901,041
176,205		136,166	3,981,986
		28,775	3,077,480
		1,119,642	1,119,642
			2,571,706
<u>2,395,548</u>	<u>1,829,675</u>	<u>1,440,026</u>	<u>22,334,531</u>
			7,549,726
2,232,736	9,874,584	1,537,919	14,981,954
		1,337,149	2,653,257
		244,188	244,188
			3,005,887
			14,418,124
			10,014,263
		4,772,293	4,779,396
		4,715,915	4,715,915
11,186,996	64,226,084	2,909,094	78,322,174
<u>13,419,732</u>	<u>74,100,668</u>	<u>15,516,558</u>	<u>140,684,884</u>
<u>\$ 15,815,280</u>	<u>\$ 75,930,343</u>	<u>\$ 16,956,584</u>	<u>\$ 163,019,415</u>



This page was intentionally left blank.

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>Total Fund Balances - Governmental Funds</b>	\$	140,684,884
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.		279,065,632
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.		1,920,347
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.		14,457,395
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Obligations Under Capital Leases	\$	1,038,229
Bonds Payable		9,291,284
Certificates of Participation		50,840,715
Compensated Absences Payable		40,331,134
Other Post Employment Benefits		115,000
		(101,616,362)
<b>Total Net Assets - Governmental Activities</b>	<b>\$</b>	<b>334,511,896</b>

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>General Fund</b>	<b>Other Federal Programs Fund</b>	<b>Capital Projects - Local Capital Improvement Fund</b>
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 1,719,910	\$ 406,459	\$
Federal Through State	2,382,547	32,485,113	
State	178,666,454		
Local			
Taxes	97,379,871		27,210,547
Miscellaneous	5,324,120		219,700
<b>Total Revenues</b>	<b>285,472,902</b>	<b>32,891,572</b>	<b>27,430,247</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	183,146,089	15,620,875	
Pupil Personnel Services	13,857,826	3,068,092	
Instructional Media Services	5,203,403	68,492	
Instruction and Curriculum Development Services	6,053,180	4,897,414	
Instructional Staff Training Services	3,147,665	4,123,337	
Instruction Related Technology	1,703,797	1,021,780	
Board of Education	1,157,359		
General Administration	712,415	908,603	
School Administration	14,596,287	3,573	
Facility Services	627,867	312	4,423,846
Fiscal Services	2,253,484		
Food Services	286,000		
Central Services	3,696,790	162,690	
Pupil Transportation Services	16,099,744	537,822	
Operation of Plant	27,506,877	193,827	
Maintenance of Plant	10,805,654	1,149	
Administrative Technology Services	3,033,744	100,346	
Community Services	562,595	422,560	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	595,256	362,220	11,981,709
Other Capital Outlay	774,744	1,397,766	
Debt Service:			
Principal	986,760		
Interest and Fiscal Charges	90,578		
<b>Total Expenditures</b>	<b>296,898,114</b>	<b>32,890,858</b>	<b>16,405,555</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(11,425,212)</b>	<b>714</b>	<b>11,024,692</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	10,817,649		
Insurance Loss Recoveries	1,085,919		
Transfers Out			(14,666,700)
<b>Total Other Financing Sources (Uses)</b>	<b>11,903,568</b>		<b>(14,666,700)</b>
<b>Net Change in Fund Balances</b>	<b>478,356</b>	<b>714</b>	<b>(3,642,008)</b>
Fund Balances, July 1, 2008	37,162,467	6,389	17,061,740
<b>Fund Balances, June 30, 2009</b>	<b>\$ 37,640,823</b>	<b>\$ 7,103</b>	<b>\$ 13,419,732</b>

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



<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
	12,591,752	2,126,369
555,361	5,239,362	47,459,412
		184,461,177
19,438,020		144,028,438
916,356	5,899,989	12,360,165
<u>20,909,737</u>	<u>23,731,103</u>	<u>390,435,561</u>
		198,766,964
		16,925,918
		5,271,895
		10,950,594
		7,271,002
		2,725,577
		1,157,359
		1,621,018
		14,599,860
9,917,019	4,434,213	19,403,257
	17,651,965	2,253,484
		17,937,965
		3,859,480
		16,637,566
		27,700,704
		10,806,803
		3,134,090
		985,155
23,365,028	2,601,341	38,905,554
	279,072	2,451,582
	3,555,010	4,541,770
	2,647,593	2,738,171
<u>33,282,047</u>	<u>31,169,194</u>	<u>410,645,768</u>
<u>(12,372,310)</u>	<u>(7,438,091)</u>	<u>(20,210,207)</u>
	5,000,000	15,817,649
(555,361)	(595,588)	1,085,919
<u>(555,361)</u>	<u>4,404,412</u>	<u>(15,817,649)</u>
		1,085,919
(12,927,671)	(3,033,679)	(19,124,288)
87,028,339	18,550,237	159,809,172
<u>\$ 74,100,668</u>	<u>\$ 15,516,558</u>	<u>\$ 140,684,884</u>

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

**Net Change in Fund Balances - Governmental Funds** \$ (19,124,288)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.

Capital Outlay - Facilities Acquisition and Construction - Capitalized	\$ 36,054,171	
Capital Outlay - Other Capital Outlay - Capitalized	2,451,582	
Less, Depreciation Expense	<u>(10,446,155)</u>	28,059,598

The undepreciated cost of capital assets disposed of during the current period is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balances by the undepreciated cost of disposed assets.

(1,123,336)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items in the year the debt is issued, but these amounts are deferred and amortized over the life of the debt in the statement of activities.

Amortized Deferred Charges	(222,309)	
Amortized Premiums	<u>83,494</u>	(138,815)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.

Bonds Payable	910,000	
Certificates of Participation	2,645,010	
Capital Leases Payable	<u>986,759</u>	4,541,769

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.

2,671,628

The net change in the liability for postemployment health care benefits is reported in the government-wide statements, but not in the governmental fund statements.

7,000

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.

(2,072,908)

**Change in Net Assets - Governmental Activities** **\$ 12,820,648**

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Budget to Actual - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2009**

<b>General Fund</b>				
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 1,265,000	\$ 1,707,797	\$ 1,719,910	\$ 12,113
Federal Through State	847,702	2,382,547	2,382,547	
State	186,100,784	178,766,864	178,666,454	(100,410)
Local:				
Taxes	94,744,004	97,379,871	97,379,871	
Miscellaneous	4,615,650	5,324,120	5,324,120	
<b>Total Revenues</b>	<b>287,573,140</b>	<b>285,561,199</b>	<b>285,472,902</b>	<b>(88,297)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	193,956,679	193,082,939	183,146,089	9,936,850
Pupil Personnel Services	13,919,148	14,285,082	13,857,826	427,256
Instructional Media Services	5,278,958	5,435,778	5,203,403	232,375
Instruction and Curriculum Development Services	6,086,663	6,352,022	6,053,180	298,842
Instructional Staff Training Services	3,124,124	3,512,808	3,147,665	365,143
Instruction Related Technology	1,683,430	1,809,508	1,703,797	105,711
Board of Education	1,276,833	1,276,307	1,157,359	118,948
General Administration	677,468	677,636	712,415	(34,779)
School Administration	14,833,187	15,012,546	14,596,287	416,259
Facility Services	581,556	1,259,780	627,867	631,913
Fiscal Services	2,196,352	2,367,141	2,253,484	113,657
Food Services	200,457	300,903	286,000	14,903
Central Services	4,522,957	4,583,677	3,696,790	886,887
Pupil Transportation Services	18,160,676	18,311,379	16,099,744	2,211,635
Operation of Plant	28,209,665	28,192,512	27,506,877	685,635
Maintenance of Plant	12,183,044	13,143,400	10,805,654	2,337,746
Administrative Technology Services	3,189,625	3,269,581	3,033,744	235,837
Community Services	726,707	740,022	562,595	177,427
Fixed Capital Outlay:				
Facilities Acquisition and Construction	621,889	653,413	595,256	58,157
Other Capital Outlay	1,385,010	1,386,488	774,744	611,744
Debt Service:				
Principal	991,151	991,260	986,760	4,500
Interest and Fiscal Charges	90,687	90,578	90,578	
<b>Total Expenditures</b>	<b>313,896,266</b>	<b>316,734,760</b>	<b>296,898,114</b>	<b>19,836,646</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(26,323,126)</b>	<b>(31,173,561)</b>	<b>(11,425,212)</b>	<b>19,748,349</b>
<b>Other Financing Sources</b>				
Transfers In	10,945,450	10,817,649	10,817,649	
Insurance Loss Recoveries		1,085,919	1,085,919	
<b>Total Other Financing Sources</b>	<b>10,945,450</b>	<b>11,903,568</b>	<b>11,903,568</b>	
<b>Net Change in Fund Balances</b>	<b>(15,377,676)</b>	<b>(19,269,993)</b>	<b>478,356</b>	<b>19,748,349</b>
Fund Balances, July 1, 2008	37,162,467	37,162,467	37,162,467	
<b>Fund Balances, June 30, 2009</b>	<b>\$ 21,784,791</b>	<b>\$ 17,892,474</b>	<b>\$ 37,640,823</b>	<b>\$ 19,748,349</b>

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Budget to Actual - MAJOR SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<b>Other Federal Programs Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 4,750	\$ 406,459	\$ 406,459	\$
Federal Through State	36,187,083	37,678,908	32,485,113	(5,193,795)
<b>Total Revenues</b>	<b>36,191,833</b>	<b>38,085,367</b>	<b>32,891,572</b>	<b>(5,193,795)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	13,650,734	16,723,513	15,620,875	1,102,638
Pupil Personnel Services	3,495,857	3,417,881	3,068,092	349,789
Instructional Media Services	51,492	68,492	68,492	
Instruction and Curriculum Development Services:	4,952,034	5,300,139	4,897,414	402,725
Instructional Staff Training Services	10,225,892	6,562,856	4,123,337	2,439,519
Instruction Related Technology	1,102,061	1,107,065	1,021,780	85,285
General Administration	603,181	934,536	908,603	25,933
School Administration	2,750	3,573	3,573	
Facility Services		312	312	
Central Services	172,933	565,033	162,690	402,343
Pupil Transportation Services	97,052	662,826	537,822	125,004
Operation of Plant	63,351	235,162	193,827	41,335
Maintenance of Plant	2,000	2,000	1,149	851
Administrative Technology Services	101,271	177,526	100,346	77,180
Community Services	180,067	425,761	422,560	3,201
Fixed Capital Outlay:				
Facilities Acquisition and Constructor	30,965	362,220	362,220	
Other Capital Outlay	1,466,582	1,542,861	1,397,766	145,095
<b>Total Expenditures</b>	<b>36,198,222</b>	<b>38,091,756</b>	<b>32,890,858</b>	<b>5,200,898</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,389)</b>	<b>(6,389)</b>	<b>714</b>	<b>7,103</b>
<b>Net Change in Fund Balances</b>	<b>(6,389)</b>	<b>(6,389)</b>	<b>714</b>	<b>7,103</b>
Fund Balances, July 1, 2008	6,389	6,389	6,389	
<b>Fund Balances, June 30, 2009</b>	<b>\$</b>	<b>\$</b>	<b>\$ 7,103</b>	<b>\$ 7,103</b>

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF NET ASSETS -**  
**PROPRIETARY FUNDS**  
*June 30, 2009*

**Governmental  
Activities -  
Internal  
Service  
Funds**

---

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$	42,002,966
Accounts Receivable		134,933
Interest Receivable		5,231
Due From Other Funds		1,523,996
		<hr/>

**TOTAL ASSETS**

**\$ 43,667,126**

---

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$	35,374
Due to Other Agencies		30,566
Unearned Revenue		3,302,719
Estimated Insurance Claims Payable		7,743,785
		<hr/>

**Total Current Liabilities**

**11,112,444**

---

Noncurrent Liabilities:

Estimated Insurance Claims Payable		18,097,287
		<hr/>

**Total Liabilities**

**29,209,731**

---

**NET ASSETS**

Restricted for Employee Benefits		14,457,395
		<hr/>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 43,667,126**

---

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
*For the Fiscal Year Ended June 30, 2009*

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 979,750
Premium Revenues	43,465,120
Other Operating Revenues	<u>516,942</u>
<b>Total Operating Revenues</b>	<u>44,961,812</u>
<b>OPERATING EXPENSES</b>	
Salaries	1,255,949
Employee Benefits	444,981
Purchased Services	3,729,574
Energy Services	5,092
Materials and Supplies	6,514
Capital Outlay	5,672
Insurance Claims	40,601,847
Other Expenses	<u>1,311,728</u>
<b>Total Operating Expenses</b>	<u>47,361,357</u>
<b>Operating Loss</b>	<u>(2,399,545)</u>
<b>NONOPERATING REVENUES</b>	
Interest	<u>326,637</u>
<b>Total Nonoperating Revenues</b>	<u>326,637</u>
<b>Change in Net Assets</b>	(2,072,908)
Total Net Assets, July 1, 2008	<u>16,530,303</u>
<b>Total Net Assets, June 30, 2009</b>	<u><u>\$ 14,457,395</u></u>

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Board Funds and Participants	\$ 44,043,001
Cash Payments to Suppliers for Goods and Services	(5,608,482)
Cash Payments to Employees for Services	(2,270,264)
Cash Payments for Insurance Claims	<u>(40,362,537)</u>
<b>Net Cash Used by Operating Activities</b>	<u>(4,198,282)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	27,079,493
Interest Income	<u>327,654</u>
<b>Net Cash Provided by Investing Activities</b>	<u>27,407,147</u>
<b>Net Increase in Cash and Cash Equivalents</b>	23,208,865
Beginning Cash and Cash Equivalents	<u>18,794,101</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 42,002,966</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Loss	\$ (2,399,545)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	98,673
Decrease in Due From Other Funds	(958,553)
Increase in Due To Other Agencies	(54,747)
Decrease in Accrued Liabilities	(421,684)
Decrease in Accounts Payable	14,329
Decrease in Due To Other Funds	(728,709)
Decrease in Unearned Revenue	(59,906)
Increase in Estimated Insurance Claims Payable	<u>311,860</u>
<b>Total Adjustments</b>	<u>(1,798,737)</u>
<b>Net Cash Used by Operating Activities</b>	<u><u>\$ (4,198,282)</u></u>

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

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**FIDUCIARY FUNDS**  
*June 30, 2009*

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash	\$ 3,121,385
<b>LIABILITIES</b>	
Payroll Deductions and Withholdings	\$ 355,262
Due to Other Funds	25,820
Internal Accounts Payable	2,740,303
<b>Total Liabilities</b>	<b>\$ 3,121,385</b>

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



**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO 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 Escambia County School District is considered part of the Florida system of public education. The governing body of the school district is the Escambia County District School Board which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Escambia County.

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

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

- **Blended Component Unit.** The Escambia School District Employee Benefit Trust (Trust) has been established to administer the District's employee life, health, and dental insurance programs. The Escambia County District School Board exercises significant oversight responsibility over the Trust, and all activities of the Trust are solely for the benefit of the District and its employees. Therefore, the financial activities of the Trust are reported in the District's financial statements.
- **Discretely Presented Component Units.** The component unit columns in the basic financial statements, include the financial data of the District's other component units, as follows:

The Escambia County Public Schools Foundation for Excellence, Inc., (the Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to raise funds, receive, hold, invest, and administer property and to make expenditures for the benefit of the District. The Foundation is considered to be a component unit of the District, because the District must approve all members of the Foundation Board and the District has the ability to impose its will on the Foundation. It is considered to be a discretely presented component unit, because the two boards are not the same.

Charter schools are separate not-for-profit corporations with a separate board of directors organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. Charter schools operate under a charter of the sponsoring school district and are considered component units since they cannot levy taxes and are fiscally dependent on the District for their support. The District has entered into charters with the following charter schools that are considered part of the District's reporting entity:

Escambia Charter School, Inc., was established to provide an alternative educational system for "at risk" students.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

Beulah Academy of Science, Inc. was established to provide an agriculture and science program for middle school students.

Byrneville Elementary School, Inc. was established to provide education, training, and related services for elementary students.

Dr. Ruby J. Gainer School for Reaching Your Dream was established to provide dropout prevention/alternative programs of education, training, and related services for secondary students who are considered “at risk” of academic failure. Dr. Ruby J. Gainer School for Reaching Your Dream dissolved their charter as of June 30, 2009.

Jacqueline Harris Preparatory Academy was established to provide alternative programs of education, training, and related services for elementary students who are considered “at risk” of academic failure. Jacqueline Harris Preparatory Academy, operated by New Road to Learning, Inc., is a separate not-for-profit entity.

Pensacola Beach Elementary School, Inc., was established to provide education, training and related services for elementary students.

Audits of the Foundation’s financial statements and the charter schools’ financial statements, for the fiscal year ended June 30, 2009, are conducted by independent certified public accountants and are filed in the District’s administrative office at 215 West Garden Street, Pensacola, Florida.

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is allocated to the various functions of the primary government based on actual and estimated usage of the assets in those 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. The only interfund transactions, other than transfers between the governmental activities, were the transactions involving the internal service funds. These transactions were eliminated by allocating the change in net assets of internal service funds in direct proportion as they were charged as expenses to the various functions/programs.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO 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.
- Special Revenue – Other Federal Programs – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases.
- Capital Projects – Other Fund – to account for the financial resources generated by the local voted sales tax and various other financial resources restricted for educational capital outlay needs, including, new construction, renovation, and remodeling projects.

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

- Internal Service Funds – to account for the District's individual self-insurance programs and to account for the financing of goods and services provided by the District's warehouse to other departments on a cost reimbursement basis.
- Agency Funds – to account for resources of the District's pre-tax flexible benefits plan and the school internal funds which are used to administer moneys collected at the schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary 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

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Premiums paid in advance by employees are reported as unearned revenue. Operating expenses include insurance claims and excess coverage premiums. Operating expenses are primarily for purchased services.

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

The charter schools, shown as discretely presented component units, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash and cash equivalents as those amounts in demand deposit accounts and all highly liquid investments with an original maturity of three months or less.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and those made locally.

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

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Material stores, maintenance stores, custodial stores, transportation stores, and purchased food and lunchroom supply inventories are stated at cost on the first-in, first-out basis. Fuel inventories are stated at an average-cost basis. The United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than 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 \$5,000. 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.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	20 - 55 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	10 - 20 years
Audio Visual Materials and Computer Software	10 - 15 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. Bond and certificates of participation (COP) premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method. Bonds and COP payable are reported net of the applicable premiums or discounts.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported for compensated absences in the governmental fund financial statements only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

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 according to a calendar established by the Department. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation 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 Escambia County Property Appraiser, and property taxes are collected by the Escambia County Tax Collector.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

The School Board adopted the 2008 tax levy on September 16, 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 a lien on the property on January 1, and are delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Escambia 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.

➤ **School Capital Outlay Surtax**

The citizens of Escambia County, on September 5, 2006, approved a 0.5 percent school capital outlay sales surtax authorized under Section 212.055(6), Florida Statutes. The surtax proceeds are to be used for fixed capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of school facilities and campuses which have a useful life expectancy of ten or more years, and retrofitting and technology implementation and any land acquisition, land improvement, design, and engineering costs related thereto.

➤ **Federal Revenue Sources**

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

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

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

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**3. INVESTMENTS**

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

Investment	Maturities	Fair Value
Columbia Treasury Reserves (1) State Board of Administration Debt Service Accounts	47 Day Average  46 Day Average	\$ 1,119,842  244,188
Total Investments, Primary Government		<u>1,364,030</u>
Component Units: Certificates of Deposit		<u>1,398,430</u>
Total Investments, Reporting Entity		<u><u>\$ 2,762,460</u></u>

Note: (1) These investments are held under trust agreements in connection with the Certificates of Participation, Series 1996, 2002, 2004, 2006 financing arrangements.

**Interest Rate Risk**

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. In order to provide sufficient liquidity to pay obligations as they come due, the District's investment policy limits authorized investments to the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury.

**Credit Risk**

- The District's investment policy limits authorized investments to the types of investments described above.
- The District's investments in the Local Government Surplus Funds Trust Fund are rated AAAM by Standard & Poor's.
- The District's investments in the Columbia Treasury Reserves are rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.



(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

**4. RECEIVABLES**

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible receivables is accrued.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 6,575,531	\$ 2,119,467	\$	\$ 8,694,998
Construction in Progress	10,091,090	29,079,204	24,660,699	14,509,595
Total Capital Assets Not Being Depreciated	<u>16,666,621</u>	<u>31,198,671</u>	<u>24,660,699</u>	<u>23,204,593</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	8,205,484	3,683,779		11,889,263
Buildings and Fixed Equipment	31,848,505	21,072,505	225,812	332,695,198
Furniture, Fixtures, and Equipment	15,004,405	843,420	839,550	15,008,275
Motor Vehicles	29,242,785	5,820,857	51,662	35,011,980
Property Under Capital Leases	11,313,019		1,974,357	9,338,662
Audio Visual Materials and Computer Software	8,213,264	547,220	5,121	8,755,363
Total Capital Assets Being Depreciated	<u>383,827,462</u>	<u>31,967,781</u>	<u>3,096,502</u>	<u>412,698,741</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,291,358	725,431		4,016,789
Buildings and Fixed Equipment	110,643,747	6,473,651	99,936	117,017,462
Furniture, Fixtures, and Equipment	9,095,138	951,689	601,212	9,445,615
Motor Vehicles	10,239,507	1,647,898	51,662	11,835,743
Property Under Capital Leases	10,374,941	178,955	1,215,234	9,338,662
Audio Visual Materials and Computer Software	4,720,022	468,531	5,122	5,183,431
Total Accumulated Depreciation	<u>148,364,713</u>	<u>10,446,155</u>	<u>1,973,166</u>	<u>156,837,702</u>
Total Capital Assets Being Depreciated, Net	<u>235,462,749</u>	<u>21,521,626</u>	<u>1,123,336</u>	<u>255,861,039</u>
Governmental Activities Capital Assets, Net	<u>\$ 252,129,370</u>	<u>\$ 52,720,297</u>	<u>\$ 25,784,035</u>	<u>\$ 279,065,632</u>

The classes of property under capital leases are presented in Note 7.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 6,904,793
Pupil Personnel Services	7,497
Instructional Media Services	25,886
Instruction and Curriculum Development Services	33,421
Instructional Staff Training Services	6,253
Instruction Related Technology	385,526
Board of Education	2,757
General Administration	9,745
School Administration	21,638
Facility Services	25,674
Fiscal Services	1,808
Food Services	570,249
Central Services	44,949
Pupil Transportation Services	1,448,684
Operation of Plant	3,409
Maintenance of Plant	361,959
Administrative Technology Services	591,907
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 10,446,155</b>

**6. SCHOOL DISTRICT LOAN PROGRAM**

In accordance with the School District Loan Program authorized by Chapter 2006-25, Laws of Florida, the District applied for and received an interest-free loan from the Florida Department of Education totaling \$2,571,706. The loan enabled the District to meet operating expenses while awaiting resolution of litigation regarding school property taxes for Pensacola Beach property owners. Loan provisions require District personnel to notify the Florida Department of Education within 5 business days after the resolution of the litigation. Repayment of the loan must be made within 20 business days following the resolution of the litigation or the District may submit a repayment plan not to exceed two fiscal years.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**7. OBLIGATIONS UNDER CAPITAL LEASES**

The class and amount of property being acquired under capital leases is as follows:

	Asset Balance
Energy Performance	\$ 9,338,662

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30, 2009 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 696,342	\$ 658,953	\$ 37,389
2011	315,349	301,263	14,086
2012	79,040	78,013	1,027
Total Minimum Lease Payments	\$ 1,090,731	\$ 1,038,229	\$ 52,502

The stated interest rates range from 5.27 to 5.67 percent.

**8. CERTIFICATES OF PARTICIPATION**

The District entered into financing arrangements, characterized as lease purchase agreements, with the Florida School Boards Association, Inc., whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District. The following schedule describes the current status of these issues at June 30, 2009:

Issue	Original Amount	Principal Paid	Principal Refunded	Refunded By Series	Balance 06/30/2009
Series 1992	\$ 55,830,000	\$ 15,030,000	\$ 40,800,000	1996-1, 2002	\$
Series 1996-1	26,740,000	4,865,000	19,145,000	2005, 2006	2,730,000
Series 1996-2	21,645,000		21,645,000	2004	
Series 2002	16,745,000	11,045,000			5,700,000
Series 2004	22,725,000	515,000			22,210,000
Series 2005	10,000,000	141,600			9,858,400
Series 2006	10,000,000	223,362			9,776,638
	\$ 163,685,000	\$ 31,819,962	\$ 81,590,000		\$ 50,275,038

As a condition of the financing arrangements, the District has given ground leases on District property to the Florida School Boards Association, Inc. The ground leases on the property associated with the Series 1992, 1996-1, 2002, 2005, and 2006 Certificates end on the earlier of (a) the date on which the Series 1996-1, 2005, and 2006 Certificates, and any Certificates of Participation refunding such Certificates, have been paid

**(Continued)**  
**DISTRICT SCHOOL BOARD OF**  
**ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

in full or provision for their payment has been made or, (b) June 30, 2028. The ground leases on the property associated with the Series 1996-2 and 2004 Certificates end on the earlier of (a) the date on which the series of Certificates has been paid in full or, (b) June 30, 2032. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground lease agreements for the benefit of the securers of the Certificates until the end of the ground leases.

The District properties included in the ground leases under these arrangements include the following:

Certificates of Participation Series 1992, 1996-1, 2002, 2005, and 2006:

- Hellen Caro Elementary School
- C.A. Weis Elementary School
- R.C. Lipscomb Elementary School
- Jim Allen Elementary School – Administrative Suite/Media Center
- Bellview Elementary School – Classroom Building
- Cordova Park Elementary School – Five Classroom Additions/Media Center
- Edgewater Elementary School – Classroom Wing/Media Center
- Escambia Westgate Center – Pre-Kindergarten Classroom Renovation
- Holm Elementary School – Classrooms/Media Center
- Myrtle Grove Elementary School – Classroom Addition
- Navy Point Elementary School – Classroom Addition/Administrative Suite
- Pine Meadow Elementary School – Media Center/Kindergarten Classrooms/Administrative Suite
- Pleasant Grove Elementary School – Dining/Classroom Addition/Administrative Suite
- Scenic Heights Elementary School – Pre-Kindergarten Classrooms/Media Center
- Sherwood Elementary School – Pre-Kindergarten Classrooms/Media Center
- Jim C. Bailey Middle School
- Northview High School
- West Florida School of Advanced Technology (the portion formerly known as Beggs Educational Center and used primarily for instructional purposes)
- Tate High School – Physical Education Facility

Certificates of Participation Series 1996-2 and 2004:

- N.B. Cook Elementary School
- Tate High School – Cafeteria/Media Center Addition and Renovation/ESE/ROTC Classroom Building

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

- Myrtle Grove Elementary School – Media Center/Classroom Building Renovation
- Navy Point Elementary School – ESE Classroom Building
- Ferry Pass Middle School – ESE Classroom Building
- Carver/Century K-8 Elementary School – Physical Education Building/Media Center/Classroom Additions

The lease payments are payable by the District, semiannually, on August 1 and February 1 at interest rates ranging from 2.8 to 5.5 percent. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,945,015	\$ 2,761,200	\$ 2,183,815
2011	4,945,452	2,889,850	2,055,602
2012	4,941,172	3,018,855	1,922,317
2013	5,136,131	3,355,892	1,780,239
2014	5,134,381	3,497,828	1,636,553
2015-2019	25,992,450	20,131,413	5,861,037
2020-2023	<u>15,740,500</u>	<u>14,620,000</u>	<u>1,120,500</u>
Total Minimum Lease Payments	66,835,101	50,275,038	16,560,063
Plus: Unamortized Premium	<u>565,676</u>	<u>565,676</u>	
Total Certificates of Participation	<u>\$ 67,400,777</u>	<u>\$ 50,840,714</u>	<u>\$ 16,560,063</u>

**9. INTEREST RATE SWAP AGREEMENTS**

The District is a party to two interest rate swap agreements that are not recorded in the financial statements. The following paragraphs disclose key aspects of these agreements.

Objectives of the Interest Rate Swap Agreements – In order to protect against the potential of rising interest rates, the District entered into pay-fixed, receivable-variable interest rate swap agreements with Bank of America (the counterparty), for both the \$10,000,000 Series 2005 and \$10,000,000 Series 2006 Certificates of Participation. Effectively, the swap agreements changed the District’s variable interest rate on the Series 2005 and 2006 Certificates of Participation to synthetically fixed interest rates of 3.896 percent and 4.106 percent, respectively.

Terms – The District entered into the first swap agreement at the same time it issued the variable rate Series 2005 Certificates of Participation (December 2005). The swap agreement’s original notional amount of \$10,000,000 matched the Series 2005 Certificates of Participation’s original principal amount of \$10,000,000. Beginning in the 2006-07 fiscal year, the notional value of the swap agreement and the principal amount of the associated debt began to decline. Under the terms of the swap agreement, the District pays the counterparty a fixed interest payment of 3.896 percent and receives from the counterparty a variable interest

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

payment computed as 63.7 percent of the London Interbank Offered Rate (LIBOR) plus 0.65 percent. The District has the right to cancel the swap on six specific dates beginning May 1, 2015, and ending August 1, 2017. The Series 2005 Certificates of Participation and related cancelable swap agreement mature on February 1, 2018.

The District entered into the second swap agreement at the same time it issued the variable rate Series 2006 Certificates of Participation (May 2006). The swap agreement's original notional amount of \$10,000,000 matched the Series 2006 Certificates of Participation's original principal amount of \$10,000,000. Starting in the 2006-07 fiscal year, the notional value of the swap agreement and the principal amount of the associated debt began to decline. Under the terms of the swap agreement, the District pays the counterparty a fixed interest payment of 4.106 percent and receives from the counterparty a variable interest payment computed as 63.7 percent of the LIBOR plus 0.65 percent. The Series 2006 Certificates of Participation and related swap agreement mature on February 1, 2015.

Bank of America purchased the 2005 and 2006 Certificates of Participation from the District. Since Bank of America is both the purchaser of the Certificates of Participation and the counterparty to the swap agreement, in practice the District simply remits the fixed rate interest payment to the Trustee for the Certificates of Participation, who in turn remits that interest payment to Bank of America.

Fair Value – Because interest rates have declined since the inception of the swap agreements, the swap agreement related to the Series 2005 Certificates of Participation has a negative fair value of \$744,790 as of June 30, 2009, and the swap agreement related to the Series 2006 Certificates of Participation has a negative fair value of \$870,045 as of June 30, 2009. The counterparty, using a proprietary valuation model, estimated the fair value. The model calculates future cash flows by projecting forward interest rates, and then discounts those cash flows at their present value. All rates used in the valuation are mid-market levels (mid-way between bid and ask), or are model-based mid-market levels when mid-market levels are not available. The fair values provided take certain factors into consideration, including liquidity of the swap market and the uniqueness of the deal structure as documented in the swap agreements.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

Swap Payments and Associated Debt – Using rates as of June 30, 2009, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same through the term of the Certificates of Participation, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Series 2005 Principal	Interest (1)	Swaps, Net (2)	Total
2010	\$ 51,245	\$ 162,763	\$ 226,655	\$ 440,663
2011	53,232	161,917	225,477	440,626
2012	55,297	161,038	224,253	440,588
2013	56,411	160,125	224,031	440,567
2014	59,629	159,194	221,684	440,507
2015-2018	9,582,586	427,637	596,099	10,606,322
Total	<u>\$ 9,858,400</u>	<u>\$ 1,232,674</u>	<u>\$ 1,718,199</u>	<u>\$ 12,809,273</u>

Notes: (1) Assumes a variable interest rate of 1.6386448 percent.

(2) Assumes a fixed swap rate payment of 3.896 percent and a variable swap rate receipt of 1.6386448 percent.

Fiscal Year Ending June 30	Series 2006 Principal	Interest (1)	Swaps, Net (2)	Total
2010	\$ 44,755	\$ 161,410	\$ 245,586	\$ 451,751
2011	46,618	160,671	244,462	451,751
2012	48,559	159,901	243,291	451,751
2013	2,999,481	159,100	243,170	3,401,751
2014	3,373,199	109,578	166,723	3,649,500
2015	3,263,827	53,886	81,988	3,399,701
Total	<u>\$ 9,776,439</u>	<u>\$ 804,546</u>	<u>\$ 1,225,220</u>	<u>\$ 11,806,205</u>

Notes: (1) Assumes a variable interest rate of 1.6386448 percent.

(2) Assumes a fixed swap rate payment of 4.106 percent and a variable swap rate receipt of 1.6386448 percent.

Credit Risk – Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2009, the District was not exposed to credit risk because the swap agreements have a negative fair value. However, should interest rates rise and the value of the swap agreements become positive, the District would be exposed to credit risk in the amount of the swap agreements' fair values. The counterparty has a credit rating from Standard & Poor's of AA.

Termination Risk – The District or the counterparty may terminate the swap agreements if the other party fails to perform under the terms of the swap agreements. If either swap agreement is terminated, the applicable variable rate certificates of participation would no longer carry a synthetic interest rate. Also, if at the time of termination the swap agreement has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap agreement's fair value.



(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**10. BONDS PAYABLE**

Bonds payable at June 30, 2009 are as follows:

Bond Type	Original Debt Issue Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 2002-B (Refunding)	\$ 6,415,000	\$ 4,200,000	3.5-5.375	2015
Series 2003-A	750,000	650,000	3.0-4.25	2023
Series 2004-A	250,000	225,000	3.25-4.625	2024
Series 2005-A	115,000	105,000	4.0-5.0	2025
Series 2005-A (Refunding)	2,935,000	2,365,000	4.0-5.0	2017
Series 2005-B (Refunding)	325,000	300,000	5.0	2018
Series 2008-A	<u>1,295,000</u>	<u>1,255,000</u>	3.25-5.0	2028
Subtotal	12,085,000	9,100,000		
Unamortized Premiums (Discounts), Net	<u>345,840</u>	<u>191,284</u>		
Total Bonds Payable	<u><u>12,430,840</u></u>	<u><u>\$ 9,291,284</u></u>		

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

➤ **State School Bonds**

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

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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	\$ 1,407,123	\$ 960,000	\$ 447,123
2011	1,423,022	1,025,000	398,022
2012	1,440,544	1,095,000	345,544
2013	1,453,944	1,155,000	298,944
2014	1,464,625	1,225,000	239,625
2015-2019	2,885,087	2,370,000	515,087
2020-2024	1,035,201	815,000	220,201
2025-2028	<u>510,675</u>	<u>455,000</u>	<u>55,675</u>
Subtotal	11,620,220	9,100,000	2,520,220
Unamortized Premiums (Discounts), Net	<u>191,284</u>	<u>191,284</u>	
Total Bonds Payable	<u>\$ 11,811,504</u>	<u>\$ 9,291,284</u>	<u>\$ 2,520,220</u>

**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					
Bonds Payable	\$ 1,010,000		\$ 910,000	\$ 9,100,000	\$ 960,000
Unamortized Premiums (Discounts), Net	<u>223,673</u>		<u>32,389</u>	<u>191,284</u>	
Total Bonds Payable	<u>1,233,673</u>	<u>-</u>	<u>942,389</u>	<u>9,291,284</u>	<u>960,000</u>
Certificates of Participation Payable	52920,048		2,645,010	50,275,038	2,761,000
Unamortized Premium	<u>616,781</u>		<u>51,105</u>	<u>565,676</u>	
Total Certificates of Participation Payable	<u>53,536,829</u>		<u>2,696,115</u>	<u>50,840,714</u>	<u>2,761,000</u>
Obligations Under Capital Leases	2,024,988		986,759	1,038,229	658,953
Estimated Insurance Claims Payable	25,529,212	40,036,723	39,724,864	25,841,071	7,743,785
Compensated Absences Payable	43,002,762	2,250,814	4,922,442	40,331,134	4,218,979
Postemployment Health Care Benefits Payable	<u>122,000</u>		<u>7,000</u>	<u>115,000</u>	
Total Governmental Activities	<u>\$ 134,449,464</u>	<u>\$ 42,287,537</u>	<u>\$ 49,279,569</u>	<u>\$ 127,457,432</u>	<u>\$ 16,342,717</u>

For the governmental activities, compensated absences are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with resources of the Internal Service Funds.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**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	Payables
Major:		
General	\$ 2,476,364	\$ 1,575,764
Capital Projects - Local Capital Improvement		176,205
Special Revenue - Other Federal Programs		2,093,851
Nonmajor Governmental	7,446	136,166
Internal Service	1,523,996	
Agency		25,820
Total	<u>\$ 4,007,806</u>	<u>\$ 4,007,806</u>

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be repaid within 12 months.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 10,817,649	\$
Capital Projects:		
Local Capital Improvement		14,666,700
Other		555,361
Nonmajor Governmental	5,000,000	595,588
Total	<u>\$ 15,817,649</u>	<u>\$ 15,817,649</u>

Transfers to the General Fund were made to assist in financing maintenance operations, the lease of instructional equipment, and for the payment of property insurance premiums. Transfers to the Nonmajor Governmental Funds were to facilitate the payment of debt service principal and interest.

**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.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**14. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 99,338,872
Categorical Educational Programs	
Florida Teachers Lead Program	572,424
Instructional Material	3,886,798
Transportation	10,828,132
Class Size Reduction	39,369,884
School Recognition/Merit	1,741,326
Excellent Teaching Program	818,522
Voluntary Pre-K Program	927,991
Supplemental Academic Instruction	10,464,883
Safe Schools	1,222,078
Comprehensive K-12 Reading Plan	1,566,106
Workforce Development	5,041,903
Performance Based Incentive	81,666
Adults with Disabilities	241,255
Capital Outlay and Debt Service	1,636,505
Food Service Supplement	360,688
Racing Commission Funds	446,500
District Lottery Funds	942,182
Public Education Capital Outlay	3,264,046
Charter School Capital Outlay	555,361
Other Misc State Revenue	1,154,055
Total	\$ 184,461,177

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

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**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
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.286	\$ 86,864,443
Basic Discretionary Local Effort	0.748	12,291,828
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.686	27,705,912
Total	7.720	\$ 126,862,183

**16. FLORIDA RETIREMENT SYSTEM**

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Division of Retirement, Department of Management Services and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

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 Class, 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. Benefits in PEORP vest after one year of service. There were 479 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$1,830,732.

**FRS Retirement Contribution Rates**

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

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$18,067,582, \$18,653,418, and \$18,101,400, respectively, which were equal to the required contributions for each fiscal year.

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

**17. SPECIAL TERMINATION BENEFITS**

School Board policy provides for the payment of retirement incentive bonuses to District personnel who retire by the end of the fiscal year in which they first become eligible under any retirement plan sponsored by a unit of Florida municipal, local, or State government and who have a minimum of 15 years of service with the Escambia County School District. The retirement incentive is equal to 25 percent of the qualified employee's gross annual salary. In addition to payments made for regular termination benefits, the District reported expenditures totaling \$1,058,375 during the 2008-09 fiscal year for retirement incentive pay.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**18. POSTEMPLOYMENT HEALTH CARE BENEFITS**

**Plan Description.** The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

**Funding Policy.** For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established by the Board. The District has not advance-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation. For the 2008-09 fiscal year, 1,079 retirees received postemployment health care benefits. The District provided required contributions of \$2,701,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$6,596,000.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

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

Description	Amount
Normal Cost (service cost for one year)	\$ 1,306,000
Amortization of Unfunded Actuarial Accrued Liability	1,259,000
Interest on Normal Cost and Amortization	128,000
Annual Required Contribution	2,693,000
Interest on Net OPEB Obligation	6,000
Adjustment to Annual Required Contribution	(5,000)
Annual OPEB Cost (Expense)	2,694,000
Contribution Toward the OPEB Cost	(2,701,000)
Decrease in Net OPEB Obligation	(7,000)
Net OPEB Obligation, Beginning of Year	122,000
Net OPEB Obligation, End of Year	\$ 115,000

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2007-08 and 2008-09 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 10-1-07	\$		\$
2007-08	2,612,000	95.3%	122,000
2008-09	2,694,000	100.3%	115,000

***Funded Status and Funding Progress.*** As of October 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$32,983,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$32,983,000. The covered payroll (annual payroll of active participating employees) was \$199,803,364 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.5 percent.



(Continued)  
DISTRICT SCHOOL BOARD OF  
ESCAMBIA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**Actuarial Methods and Assumptions.** 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. 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 OPEB actuarial valuation was completed for the period October 1, 2008, through September 30, 2009, which was the plan year for the District's Employee Benefit Program.

The District's initial OPEB actuarial valuation as of October 1, 2008, used the unit credit method to estimate the unfunded actuarial liability, and the unit credit method to estimate the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 5 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 4 percent per year, and an annual healthcare cost trend rate of 11 percent initially for the 2008-09 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 6 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization is 28 years.

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2009

**19. 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
Safety Renovations-Districtwide			
Architect/Engineer	\$ 61,094	\$ 47,844	\$ 13,250
Contractor	711,300		711,300
Lipscomb Elementary Air Conditioning and Heating			
Architect/Engineer	68,967	37,965	31,002
Contractor	542,000	206,392	335,608
Washington High Auditorium			
Architect/Engineer	524,609	498,685	25,924
Contractors	4,412,014	3,794,107	617,907
Pensacola High School Athletic Facilities:			
Architect/Engineer	321,561	278,286	43,275
Contractor	3,396,703	3,004,869	391,834
Tate High General Renovations			
Architect/Engineer	159,404	124,605	34,799
Contractors	1,022,433	457,451	564,982
Montclair Elementary Covered Play Area			
Architect/Engineer	45,500	34,370	11,130
Contractor	584,000		584,000
Bratt Elementary Renovations-Building 1			
Architect/Engineer	91,000	81,704	9,296
Contractors	1,000,641	203,184	797,457
Warrington Middle Additions/Renovations			
Architect/Engineer	230,811	161,862	68,949
Contractors	2,099,027	39,459	2,059,568
Pine Forest PE Facilities Renovations			
Architect/Engineer	70,428	54,726	15,702
Contractors	318,336		318,336
New Downtown Elementary School			
Architect/Engineers	1,497,550	210,741	1,286,809
Contractor	1,800		1,800
Total	<u>\$ 17,159,178</u>	<u>\$ 9,236,250</u>	<u>\$ 7,922,928</u>

Total other construction contract commitments (individually below \$250,000) amounted to \$3,166,275 at June 30, 2009.

**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 District is self-insured for property losses, except that commercial property insurance having a number of different deductibles, sublimits, and policy maximums has been purchased to limit the District's exposure to loss. The District provides a self-insurance program for workers' compensation, automobile liability, and general liability coverage. These activities are accounted for in a Risk Management Fund, a part of the Internal Service Funds reported on the basic financial statements of the District. For automobile and general liability, the District generally relies upon the sovereign immunity limits of Section 768.28, Florida Statutes, which limits the District's liability to \$100,000 for each claimant and \$200,000 in any one occurrence. Workers compensation claims, except for

(Continued)  
**DISTRICT SCHOOL BOARD OF  
 ESCAMBIA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

certain claims covered under stop-loss insurance policies purchased in prior years, are fully covered by the District.

The District also provides commercially purchased life insurance and self-insured dental, prescription drug, and health coverage to its employees, retirees, and their dependents. These activities are accounted for in the Escambia School District Employee Benefit Trust which is reported in the Internal Service Funds on the basic financial statements of the District. The District has entered into agreements with various insurance companies to provide specific excess coverage of health claims that exceed a stated amount per policy period. In addition, third-party administrators have been contracted to assist in the payment and/or processing of dental, prescription drugs, and health claims.

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

For all programs for which the District is self-insured, an undiscounted liability in the amount of \$25,841,072 (\$21,701,415 for workers' compensation, automobile, and general liability claims, and \$4,139,657 for dental, prescription drug, and health insurance claims) was actuarially determined to cover estimated incurred, but not reported claims and insurance claims payable at June 30, 2009.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 25,447,943	\$ 40,730,594	\$ (40,649,325)	\$ 25,529,212
2008-09	25,529,212	40,036,723	(39,724,864)	25,841,071

**21. OTHER LOSS CONTINGENCY**

The Escambia County Property Appraiser is involved in ongoing litigation with the Pensacola Beach Leaseholders and Residents Association regarding the appraisals on and taxability of the values of leasehold improvements on Pensacola Beach. During the litigation, some leaseholders have chosen to pay the assessed taxes while others have chosen not to pay the assessed taxes pending the outcome of the litigation. Depending upon the ultimate outcome of this litigation, the District may be entitled to their portion (estimated at \$9,927,610 at June 30, 2009) of the gross taxes uncollected from leaseholders, or the District may be required to return their portion of the gross taxes collected from the leaseholders. At June 30, 2009, the District has received \$4,617,799 in taxes collected from leaseholders.

**22. LITIGATION**

The District is involved in several pending and threatened legal actions. It is the opinion of District management, after giving consideration to the District's related insurance coverage, as well as statutory limitations on uninsured losses for governmental agencies, that the amount of loss from all such claims and actions would not materially affect the financial condition of the District.



This page was intentionally left blank.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



This page was intentionally left blank.

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**DISTRICT SCHOOL BOARD**  
**OTHER POST EMPLOYMENT BENEFITS**  
**FUNDING PROGRESS**  
**June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
06/30/2008	\$ 0	\$ 32,599,000	\$ 32,599,000	0.00%	\$ 205,595,499	15.9%
06/30/2009	0	32,983,000	32,983,000	0.00%	199,803,364	16.5%



This page was intentionally left blank.



# COMPLIANCE AND SINGLE AUDIT



This page was intentionally left blank.

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal year Ended June 30, 2009**

<b>Federal Grantor /Pass-Through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Pass-Through Grantor Number</b>	<b>Amount of Expenditures</b>
<b>United States Department of Agriculture:</b>			
Indirect:			
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	\$ 2,735,773
National School Lunch Program	10.555	300	8,712,555
Summer Food Service Program	10.559	323	129,770
Total Child Nutrition Cluster			<u>11,578,098</u>
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.555 (2)	None	<u>1,013,654</u>
<b>Total United States Department of Agriculture</b>			<b><u>12,591,752</u></b>
<b>United States Department of Labor:</b>			
Indirect:			
Escarosa RWDB			
Federal Individual Training Account Agreement	17.255	None	6,708
Workforce Escarosa, Inc.			
WIA Youth Activities	17.259	None	242,222
Workforce Escarosa, Inc.			
WIA Youth Activities	17.259	None	79,196
Florida's Great Northwest, Inc			
WIA Pilots, Demonstrations and Research Projects	17.261	None	<u>16,241</u>
<b>Total United States Department of Labor:</b>			<b><u>344,367</u></b>
<b>United States Department of Education:</b>			
Direct:			
Federal Student Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	9,500
Federal Work-Study Program	84.033	N/A	2,462
Federal Pell Grant Program	84.063	N/A	<u>393,862</u>
Total Federal Student Aid Cluster:			405,824
Impact Aid	84.041 (3)	N/A	<u>1,018,680</u>
<b>Total Direct</b>			<b><u>1,424,504</u></b>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027A	262, 263	10,256,354
Special Education - Preschool Grants	84.173A	266, 267	390,752
University of Florida:			
Special Education - Grants to States	84.027	None	721
Washington County District School Board (PAEC)			
Migrant Grants	84.027	None	<u>15,124</u>
Total Special Education Cluster			10,662,951
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002A	191	163,971
Title I Grants to Local Educational Agencies	84.010A	212, 222, 223, 226,228	14,166,935
Title I, Part C, Migrant Education Program	84.011A	217	168,248
Vocational Education - Basic Grants to States	84.048A	151, 161	749,140
Safe and Drug-Free Schools and Communities - State Grants	84.186A	103	202,841
Education for Homeless Children and Youth	84.196A	127	96,900
State Grants for Innovative Programs	84.298A	113	15,545
Educational Technology State Grants	84.318	121, 122	774,496
Reading First - Title I, Part B, NCLB	84.357A	211	1,183,126
English Language Acquisition Grants	84.365A	102	129,136
Improving Teacher Quality State Grants	84.367A	224	2,749,094
Title I Part A No Child Left Behind Act 2001	84.377A	126	<u>745,426</u>
<b>Total Indirect</b>			<b><u>31,807,809</u></b>
<b>Total United States Department of Education</b>			<b><u>33,232,313</u></b>

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal year Ended June 30, 2009**

<u>Federal Grantor /Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Grantor Number</u>	<u>Amount of Expenditures</u>
<b>United States Department of Health and Human Services:</b>			
Indirect:			
Community Action Community - Head Start			
Head Start / Title I PreSchool	93.600	None	435,750
University of Florida			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	None	<u>200</u>
<b>Total United States Department of Health and Human Services:</b>			<b>435,950</b>
<b>Corporation for National and Community Service:</b>			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	<u>1,446</u>
<b>Total Corporation for National and Community Service:</b>			<b>1,446</b>
<b>United States Department of Homeland Security</b>			
Indirect			
Florida Department of Community Affairs:			
Public Assistance Grants - Hurricane Ivan	97.036	05-PA-G-01-27-01-540	712,938
Public Assistance Grants - Hurricane Dennis	97.036	06-DN-G-01-27-03-542	17,609
Florida Division of Emergency Management			
Hazard Mitigation Planning Grant	97.039	09HS-81-13-00-22-063	22,000
Florida Department of Education - Office of Domestic Preparedness			
Equipment and Access Control	97.067		<u>515,534</u>
<b>Total United States Department of Homeland Security</b>			<b>1,268,081</b>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	58,434
Air Force Junior Reserve Officers Training Corps	None	N/A	59,010
Navy Junior Reserve Officers Training Corps	None	N/A	<u>283,915</u>
<b>Total United States Department of Defense</b>			<b>401,359</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>48,275,268</u></b>

Basis of Presentation

- (1) The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2008-2009 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 general purpose financial Statements have been reported.

Noncash Assistance

- (2) Food Distribution - Represents the amount of donated food used during the 2008-2009 fiscal year. Donated food is valued at fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

Impact Aid

- (3) Impact Aid expenditures reported include the following:
- |  |               |
|--|---------------|
| Grant number / program S041B-2006-1245 | \$ 207,297.00 |
| Grant number / program S041B-2009-1245 | \$ 811,382.42 |



**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Members of the School Board  
District School Board of Escambia County, Florida  
Pensacola, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Escambia County, Florida (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2009. We did not audit the financial statements of the aggregate discretely presented component units; those financial statements were audited by 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.

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

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

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the District School Board, management, applicable federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cherry, Rekart & Holland, L.L.P." The signature is written in a cursive, flowing style.

Orlando, Florida  
December 22, 2009



**Independent Auditors' Report on Compliance  
with Requirements Applicable to Each Major  
Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

The Honorable Members of the School Board  
District School Board of Escambia County, Florida  
Pensacola, Florida

**Compliance**

We have audited the compliance of the District School Board of Escambia County (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's 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 OMB 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**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 an entity'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 entity'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 entity'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 entity'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.

This report is intended solely for the information and use of the District School Board, the Audit Committee, management, applicable federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Beckett & Holland, L.L.P.*

Orlando, Florida  
December 22, 2009



**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2009**

**Part I - Summary of Audit Results**

1. The auditors report on the financial statements expresses an unqualified opinion.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Title I, Grants to Local Educational Agencies	84.010A

7. The threshold for distinguishing Types A and B programs was \$1,448,258.
8. The District was determined to be a low risk auditee.

**Part II - Financial Statement Findings Section**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None reported.

**Part III - Federal Award Finding and Questioned Costs Section**

None reported.

**DISTRICT SCHOOL BOARD OF ESCAMBIA COUNTY, FLORIDA**  
**Summary Schedule of Prior Audit Findings**  
**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:

<b>Audit Report No. and Federal Awards Finding No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
None				

## OTHER INFORMATION



This page was intentionally left blank.



## **Independent Auditors' Management Letter**

The Honorable Members of the School Board  
District School Board of Escambia County, Florida  
Pensacola, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Escambia County, Florida (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 22, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units; those financial statements were audited by other auditors.

We conducted our audit 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 22, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General, which governs the conduct of district school board audits conducted in the State of Florida. This letter includes the following information, which is not included in the auditors' reports or schedule.

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditors' report on internal controls over financial reporting and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District met any of the conditions in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the District's compliance with this requirement.

Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District was in noncompliance with Section 218.415 regarding the investment of public funds. However, our audit was not directed toward obtaining knowledge regarding the District's compliance with this requirement.

Section 10.804(1)(f)4., Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors; (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (b) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations by management and review of financial information provided by same.

We wish to thank the District's finance and accounting personnel and others involved in the conduct of the audit for their courtesy and cooperation.

Pursuant to Chapter 119, Florida Statutes, this management letter 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 letter is intended solely for the information of the District School Board, applicable management, and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Beckett & Holland, L.L.P.*

Orlando, Florida  
December 22, 2009