

The School Board of Miami-Dade County, Florida

Auditor's Communication of 2011 Audit Results

Report to the Chairperson and Members of
the School Board of Miami-Dade County, Florida and
the Chairperson and Members of the School Board
Audit and Budget Advisory Committee

December 6, 2011



McGladrey & Pullen, LLP
Certified Public Accountants



December 6, 2011

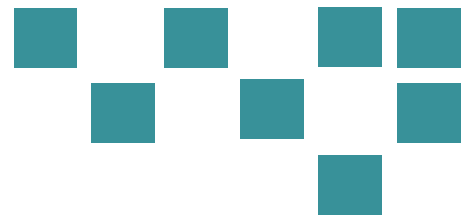
Members of the School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools
1450 N.E 2nd Avenue
Miami, Florida 33132

Ladies and Gentlemen:

We are pleased to present this report related to our audit of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School Board of Miami-Dade County, Florida (the School Board), as of and for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the School Board's financial reporting process.

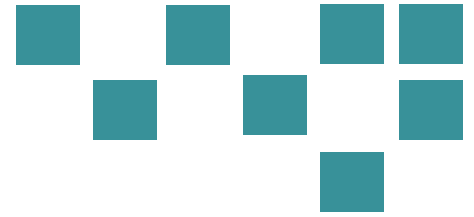
This report is intended solely for the information and use of the Chairperson and Members of the School Board of Miami-Dade County, Florida, the Chairperson and Members of the School Board Audit and Budget Advisory Committee, and the Superintendent of Schools, and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the School Board.

McGladrey & Pullen, LLP



Contents

Required Communications	1-3
Summary of Accounting Estimates and Areas of Emphasis	4-5
Summary of Uncorrected Misstatements	6
Exhibit A - Significant Written Communications between Management and Our Firm.....	
Representation Letter	



Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	<p>The financial statements are a responsibility of management. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute assurance about whether the financial statements are free of material misstatements.</p> <p>An audit of the financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control over financial reporting.</p> <p>We have issued an unqualified opinion on the School Board's basic financial statements as of and for the year ended June 30, 2011, dated November 22, 2011. Our audit report made reference to the reports of other Auditor's with respect to the discretely presented component units.</p>
Accounting Practices	<p>Adoption of, or Change in, Accounting Policies</p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the School Board. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year. Governmental Accounting Standards Board (GASB) Statement No. 54, "<i>Fund Balance Reporting and Governmental Fund Type Definitions</i>". The adoption of GASB Statement No. 54 is reflected in the School Board's fund financial statements as well as in Note 1, in the notes to the financial statements.</p> <p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>

Area	Comments
	<p>The following is a description of the methods used to account for a significant and unusual transaction which occurred in the current fiscal year:</p> <ul style="list-style-type: none"> • In fiscal year 2011, the School Board issued Certificates of Participation, Series 2011B, in the amount of \$137,660,000 Pursuant to a Master Lease Purchase Agreement with Miami-Dade County School Board Foundation, Inc., as Lessor. <p>The Series 2011B Certificates of Participation were issued for the principle purpose of:</p> <ul style="list-style-type: none"> ○ Provided funds sufficient to advance-refund a portion of the Series 2007A, 2007B and 2009A Certificates. These proceeds were placed into an irrevocable escrow deposit trust fund to in-substance defease the obligations under these certificates. ○ Provided funds for the interest on all Unrefunded Series 2007A Certificates, Unrefunded 2007B Certificates and Unrefunded 2009A Certificates accruing through May 1, 2013. Proceeds obtained to advance-fund the interest expense were recorded as investments with fiscal agents.
Alternative Treatments Discussed with Management	We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
Financial Statement Disclosures	We have reviewed the basic financial statements to ensure they are complete and fairly presented.
Audit Adjustments	Audit adjustments recorded by the School Board are included as an attachment to the management representation letter provided in Appendix A.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached "Summaries of Uncorrected Misstatements."

Area	Comments
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	<p>We did not encounter any difficulties in performing the audit resulting from:</p> <ul style="list-style-type: none"> • significant delays in management providing required information; • an unnecessarily brief time within which to complete the audit; • the unavailability of expected information; and/or • restrictions imposed on us by management.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the School Board are attached as Exhibit A.

Summary of Accounting Estimates and Areas of Emphasis

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the School Board's June 30, 2011 the basic financial statements.

Estimate	Accounting Policy	Estimation Process	Comments
Accounting for Other Post Employment Benefits	The School Board's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45.	Management with input from its OPEB actuary developed the actuarial assumptions based on relevant criteria. Management reviewed and approved the financial statement estimates derived from the OPEB actuarial report.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears reasonable and consistently applied and have deemed the resulting estimate to be within the acceptable range.
Accounting for Supplemental Early Retirement Program	The School Board's annual contribution for the supplemental early retirement program is calculated based on the annual required contribution of the employer (ARC) which is an actuarially determined amount.	Management with input from its actuary developed the actuarial assumptions based on relevant criteria. Management reviewed and approved the financial statement estimates derived from the supplemental early retirement program actuarial report.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears reasonable and consistently applied and have deemed the resulting estimate to be within the acceptable range.
Actuarial Assumptions Used for the School Board's Self-Insurance Program (Risk Management)	The School Board is self-insured for general and auto liability, property, workers' compensation, and employees' health and dental. The accrued liability for estimated claims represents an estimate of the eventual loss on claims including claims incurred but not yet reported.	Management with input from its Risk actuary developed the actuarial assumptions based on relevant criteria. Management reviewed and approved the financial statement estimates derived from the Risk actuarial report.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.

Allowance for Doubtful Accounts	All receivables (i.e. taxes receivable) are reported at net realizable value.	Receivables are analyzed for their collectability based on the creditors' ability to pay (i.e. financial condition, credit history, and current economic conditions).	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable
Depreciation of Capital Asset	Depreciation on capital assets is provided using the straight-line method. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the assets.	Capital assets are recorded at historical cost or estimated historical cost and depreciated using the straight-line method over the estimated useful lives of the related assets.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.

Area of Emphasis	Procedures Performed
Internal Controls	<ul style="list-style-type: none"> ▪ Obtained and documented our understanding of controls over the key processes (cash receipts and disbursements, payroll, self-insurance, etc.). ▪ Documented and determined testing procedures of information technology general controls.
Nonroutine Processes/ Transactions	<ul style="list-style-type: none"> ▪ We reviewed the accounting and reporting for new debt issuance and the School Board's procedures for monitoring compliance with significant debt covenants. ▪ Reviewed the School Board's investment policies for compliance with Section 218.415, Florida Statutes and performed testing of investment valuation. ▪ We tested the procurement process with respect to the Offices of the School Board Members, Office of the Superintendent, School Board Attorney's Office and Office of Management and Compliance Audits.

School Board of Miami-Dade County, Florida

Summary of Uncorrected Misstatements

Year Ended June 30, 2011

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations, and to the related financial statement disclosures. Following is a summary of those differences.

Number	Name	Debit	Credit
<u>Adjustment #1</u>			
	General fund Ad Valorem Revenue	\$ 1,550,634	
	General fund Taxes Receivable		\$ 1,550,634
	To adjust estimated receivable accrual for ad valorem taxes collected within 60 days based on actual amounts that have been received.		
<u>Adjustment #2</u>			
	General fund Fund Balance	\$ 5,780,000	
	General fund Local Grants and Other		\$ 3,610,000
	General fund Deferred / Unearned revenue		\$ 2,170,000
	To record current year revenue from broadband lease agreement and correct beginning fund balance for excess revenue recorded in prior period.		
<u>Adjustment #3</u>			
	Government Wide Beginning Net Assets		\$ 3,286,000
	Government Wide Local Grants and Other		\$ 1,644,000
	Government Wide Unearned revenue	\$ 4,930,000	
	To record current year revenue from broadband lease agreement and correct beginning net asset balance for revenue recorded in prior period.		

Exhibit A - Significant Written Communications between Management and Our Firm



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools

Alberto M. Carvalho

Miami-Dade County School Board

*Perta Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Carlos L. Curbelo
Renier Diaz de la Portilla
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Raquel A. Regalado*

November 22, 2011

McGladrey & Pullen, LLP
801 Brickell Avenue, Suite 1050
Miami, FL 33131

Ladies and Gentlemen:

In connection with your audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the School Board of Miami-Dade County, Florida (the School Board) as of and for the year ended June 30, 2011 we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of the date of this letter the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards that are component units. The School Board's blended component unit and discretely presented component units are properly presented in the financial statements.
3. We are not a component unit of any other government as this term is defined in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards.
4. We do not meet the definition of an other organization, as defined in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards.
5. We do not have a joint venture relationship with any other organization, as defined in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards.
6. We are not a jointly governed organization, as this term is defined in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards.
7. We have identified for you all of our governmental functions.
8. We have properly classified all funds and activities.

9. We have properly determined and reported the major governmental funds based on the required quantitative criteria, and all other funds that are presented as major funds are particularly important to financial statement users.
10. We are responsible for compliance with laws and regulations applicable to the School Board including adopting, approving, and amending budgets.
11. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
12. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - (1) Statutory, regulatory, or contractual provisions or requirements.
 - (2) Financial reporting practices that could have a material effect on the financial statements.
13. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the School Board received in communications from employees, former employees, analysts, regulators, short sellers, or others.
16. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

19. The following have been properly recorded and/or disclosed in the financial statements:
- a. Related party transactions, including those as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported. Guarantees, whether written or oral, under which the Government is contingently liable.
 - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - c. Line of credit or similar arrangements.
 - d. Security agreements in effect under the Uniform Commercial Code.
 - e. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - f. The fair value of investments.
 - g. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
 - h. Debt issues repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - i. Debt issue provisions.
 - j. All leases and material amounts of rental obligations under long-term leases.
 - k. All significant estimates known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year.
 - l. Risk financing activities.
 - m. Authorized but unissued bonds and/ or notes.
 - n. Derivative financial instruments.
 - o. Deposits and investments categories of risk.
 - p. Arbitrage rebate liabilities.
 - q. We have adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
 - r. The effect on the financial statements of GASB pronouncements which have been issued, but which we have not yet adopted.
20. The School Board's policy regarding which resources, that is restricted, committed, assigned, or unassigned, are considered to be spent first for expenditures for which more than one resource classification is available.
21. The School Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purchases for which both restricted and unrestricted net assets are available.

22. We are responsible for making the accounting estimates included in the financial statements.

Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:

- a. To reduce receivables to their estimated net collectable amounts.
- b. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
- c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2011, and/or for expected retroactive insurance premium adjustments applicable to periods through the date of this letter.
- d. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2011.

No provision is required to:

- e. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.

23. There are no :

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements. For purposes of this representation, we consider items to be material, regardless of their size if they involve the misstatement or omission of accounting information that in light of surrounding circumstances makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10 beyond those accounted for in the School Board's estimated risk retention reserves.
- d. Guarantees, whether written or oral, under which the Government is contingently liable.
- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- f. Agreements to repurchase assets previously sold.
- g. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- h. Special and extraordinary items.
- i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- j. Pollution remediation obligations as required under GASB Statement No. 49.

- k. **Impairment of capital assets.**
 - l. **Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.**
 - m. **Material losses to be sustained as a result of purchase commitments.**
 - n. **Material environmental clean-up obligations.**
 - o. **Material concentrations. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.**
24. **There are no unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10 beyond those accounted for in the School Board's risk retention reserves.**
 25. **We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private or to special assessment bond holders that is not disclosed in the financial statement.**
 26. **We have satisfactory title to all owned assets.**
 27. **We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.**
 28. **Net asset components invested in capital assets, net of related debt; restricted; and unrestricted and non spendable fund balance, and restricted, assigned, and unassigned fund balances are properly classified and, when applicable, approved.**
 29. **Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.**
 30. **Revenues are appropriately classified in the statement of activities within program revenues and general revenues.**
 31. **Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.**
 32. **Required supplementary information is properly measured and presented.**
 33. **Management has determined that a one-year availability period is appropriate for revenue recognition for all governmental fund revenues except property taxes which uses 60 days and Florida Education Finance Program revenues which are recorded when received.**
 34. **The Health Insurance Self-Insurance fund currently has a deficit net assets and has experienced losses in each of the past two years. Management believes this fund is properly reflected as an internal service fund and has a plan in place to eliminate the deficit net asset balance in subsequent years.**
 35. **We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. These adjustments are attached as Appendix A. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.**

36. Required supplementary information is properly measured and presented.
37. The School Board has complied with the provisions of Section 218.415, Florida Statutes regarding the investment of public funds.
38. The School Board is not in a state of emergency based upon the conditions described in Section 218.503(1), Florida Statutes.
39. Management has assessed the financial condition of the School Board and noted no deteriorating financial condition.
40. In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:
 - a) We are responsible for:
 - i. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the School Board.
 - ii. Establishing and maintaining effective internal control over financial reporting.
 - b) We have identified and disclosed to you:
 - i. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - ii. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
 - c) We have taken timely and appropriate steps to remedy violations of provisions of contracts or grant agreements that has been reported.
 - d) We have a process to track the status of audit findings and recommendations.
 - e) We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
 - f) We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

Except for the issuance of Tax Anticipation Notes on July 27, 2011 for \$200,000,000, and a downgrade of the Bank of America Merrill Lynch swap derivative; there are no other events or transactions that have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

For the year ended June 30, 2011


We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Number	Name	Debit	Credit
<u>Adjustment #1</u>			
	General fund Ad Valorem Revenue	\$ 1,550,634	
	General fund Taxes Receivable		\$ 1,550,634
	To adjust estimated receivable accrual for ad valorem taxes collected within 60 days based on actual amounts that have been received.		
<u>Adjustment #2</u>			
	General fund Fund Balance	\$ 5,780,000	
	General fund Local Grants and Other		\$ 3,610,000
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<u>Adjustment #3</u>			
	Government Wide Beginning Net Assets		\$ 3,286,000
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	To record current year revenue from broadband lease agreement and correct beginning net asset balance for revenue recorded in prior period.		

The School Board of Miami-Dade County, Florida




Alberto M. Carvalho
Superintendent of Schools



Richard H. Hinds, Ed.D,
Associate Superintendent/Chief Financial Officer



Connie Pou, CPA
Controller



Daisy Naya, CPA
Assistant Controller

AMC/RHH/CP/DN:as
AMC L536