



CHILDREN'S BOARD
HILLSBOROUGH COUNTY

FINANCIAL STATEMENTS
September 30, 2008 and 2007

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
Tampa, Florida

FINANCIAL STATEMENTS
September 30, 2008 and 2007

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Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Children's Board of Hillsborough County
Tampa, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the Children's Board of Hillsborough County (the Children's Board) as of September 30, 2008, and for the year then ended, which collectively comprise the Children's Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Children's Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Children's Board as of September 30, 2008, and the respective changes in financial position 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 February 16, 2009, on our consideration of the Children's Board'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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(Continued)

The Management's Discussion and Analysis and budgetary comparison information on pages three through eleven and pages thirty-six and thirty-seven 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.

Crowe Horwath LLP
Crowe Horwath LLP

February 16, 2009
Tampa, Florida

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

The Children's Board of Hillsborough County's (the Children's Board) Management Discussion and Analysis (MD&A) provides a financial performance review that is designed to focus on the financial activities, resulting changes, and currently known facts for the fiscal year ended on September 30, 2008. Please read it in conjunction with the accompanying presented financial statements.

Financial Highlights

- Ad valorem revenues increased \$1.4 million or 3.6 percent for fiscal year 2008. This was a lower increase from prior years because the millage rate was board reduced from .5000 to .4634.
- The State of Florida Business Administration (SBA) and the Local Government Investment Fund (LGIF) reported a Net Asset Value loss of 20.2 percent to governmental fund shareholders in classification Fund B at September 30, 2008. The reporting requirements of the Governmental Accounting Standards Board (GASB) pronouncement number 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools", required the recognition of an unrealized loss of \$145,351 in the LGIF investments for FY 2008.
- Appropriations for provider programs increased \$3.3 million or 11.8 percent for fiscal year 2008.
- Governmental Fund Balance increased \$2.4 million for fiscal year 2008 as expenditures were under budget and encumbrances exist to be appropriated in fiscal year 2009.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities and Changes in Fund Net Assets (hereinafter Statement of Activities) on pages 12 and 13 provide information about the activities of the Children's Board as a whole and present a long-term view of the Children's Board's finances. Governmental Fund financial statements start on page 14. For governmental activities, these statements explain how the services were financed in the short term as well as what remains for future spending.

The Governmental Fund financial statements provide both long-term and short-term information about the Children's Board's overall financial position. The Government-Wide and Governmental Fund statement presentations allow the users to address relevant questions concerning the basis of comparison from year to year or government to government and the Children's Board's accountability.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

Overview of the Financial Statements

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information about the Board activities in a way that helps to evaluate the Board's economic and financial position after their actions this fiscal period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the method of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Board's net assets and changes in them. Net assets are the difference between assets and liabilities. An increase in net assets happens when revenue for the year exceeds expenditures. During the later part of fiscal year 2008 a decision was made to spend conservatively in order to allow net assets to increase. This decision was made because of the uncertainty of the property tax base and statutory changes for fiscal year 2009.

In the Statement of Net Assets and the Statement of Activities Children's Board's basic services are considered governmental activities, including the programs funded by grants. Appropriation funding includes property taxes and state and federal grants to finance these activities.

Table 1
Statements of Net Assets

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------------------------|----------------------|----------------------|----------------------|
| Assets: | | | |
| Current and other assets | \$ 8,233,380 | \$ 6,663,907 | \$ 9,898,778 |
| Designated assets | 14,664,322 | 12,422,869 | 3,697,000 |
| Capital assets (net) | <u>5,330,988</u> | <u>5,509,356</u> | <u>5,673,403</u> |
| Total assets | <u>\$ 28,228,690</u> | <u>\$ 24,596,132</u> | <u>\$ 19,269,181</u> |
| Liabilities: | | | |
| Current and other liabilities | \$ 6,409,025 | \$ 4,990,630 | \$ 4,090,572 |
| Net Assets: | | | |
| Invested in capital assets | 5,330,988 | 5,509,356 | 5,673,404 |
| Unrestricted | <u>16,488,677</u> | <u>14,096,146</u> | <u>9,505,205</u> |
| Total net assets | <u>21,819,665</u> | <u>19,605,502</u> | <u>15,178,609</u> |
| Total liabilities and net assets | <u>\$ 28,228,690</u> | <u>\$ 24,596,132</u> | <u>\$ 19,269,181</u> |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

Net capital assets decreased \$0.2 million in fiscal year 2008 due to an increase in disposals and accumulated depreciation expense over asset additions. Total net assets increased \$2.2 million due to operations and appropriations that did not occur as discussed above. Some additional appropriations will be encumbered in fiscal year 2009.

Table 2
Statements of Activities:

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---------------------------------------|----------------------|----------------------|----------------------|
| General government expenses: | | | |
| Government expenses and other | \$ 8,518,905 | \$ 8,156,083 | \$ 6,859,749 |
| Program expenditures | 31,661,519 | 28,328,202 | 24,184,576 |
| Depreciation expense | <u>220,105</u> | <u>207,362</u> | <u>214,954</u> |
| Total government expenses | 40,400,529 | 36,691,647 | 31,259,279 |
| Program revenues: | | | |
| Operating grants and contributions | 1,008,538 | 531,644 | 160,000 |
| General revenues: | | | |
| Ad valorem taxes | 39,643,357 | 38,256,754 | 31,417,961 |
| Interest income | 815,553 | 1,371,204 | 975,239 |
| Other miscellaneous revenue | <u>1,147,244</u> | <u>958,938</u> | <u>587,154</u> |
| Total general revenues | <u>41,606,154</u> | <u>40,586,896</u> | <u>32,980,354</u> |
| Total revenue | <u>42,614,692</u> | <u>41,118,540</u> | <u>33,140,354</u> |
| Net revenue | 2,214,163 | 4,426,893 | 1,881,075 |
| Net assets - beginning of year | <u>19,605,502</u> | <u>15,178,609</u> | <u>13,297,534</u> |
| Net assets - end of year | <u>\$ 21,819,665</u> | <u>\$ 19,605,502</u> | <u>\$ 15,178,609</u> |

The Statement of Activities shows the effect of capitalization of infrastructure and fixed assets and other nominal differences (Table 2) as time-related depreciable elements and expenses that the Governmental Fund treats as expended in the period that the asset is acquired.

Total government expenses increased \$3.7 million and 10.1 percent for the fiscal period. Total programs expenditures increased 11.8 percent while other expenses increased 4.5 percent.

Total revenues increased \$1.5 million over the prior year due to increases in the Hillsborough County property tax base and revenues from federal, state and local grants and interest income.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

Governmental Fund Financial Statements

The Governmental Fund financial statements starting on page 14 focuses on the individual parts of the Children's Board's activities and reports the Children's Board's operations in other detail than the Government-Wide statements.

The traditional users of government financial statements will find the Governmental Fund financial statement presentation more familiar. The Children's Board uses only a Government Fund category and does not have any proprietary or fiduciary funds activity.

Governmental Fund - The Children's Board's basic services are reported in a Governmental Fund. This focuses on cash and other financial assets that can readily be converted to cash and the balances left at year-end that are available for spending. Consequently, the Governmental Fund statements provide a detailed short-term view that helps the readers determine whether there are financial resources available to finance the Children's Board's basic services in the near future. Because this information does not encompass the additional long-term focus of the Government-Wide financial statements, we describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Fund in a reconciliation following the fund financial statements.

Summary of Balance Sheet

The Governmental Fund Balance Sheet on page 14 presents information on the Children's Board's assets and liabilities and the combined fund balance. The fund balance increased to \$17.0 million from \$14.5 million because of the increase in governmental activities described below.

Undesignated fund balances, the part of the unreserved fund balance that can be used to finance day-to-day operations without constraints and established by the Children's Board Board of Directors changed from \$1.7 million at September 30, 2007 to \$1.8 million at the end of the current year. This increase of \$0.1 million in non-reserved governmental assets is a result of increased efficiencies in operational and program expenditures that did not occur in the current period. A portion of the budgeted FY 2008 expenditures will be appropriated and encumbered in fiscal 2009. The Children's Board has separately detailed accumulated cash balances for Reserved net assets at \$2.4 million. This amount is an approximate amount needed for the first two months of business activity each fiscal year when tax receipts are ordinarily slow or not received and Building Contingencies.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

Statement of Revenues, Expenditures and Changes in Fund Balance

The Statement of Revenue, Expenditures and Changes in Fund Balance is exclusive of a Special Revenue Fund for fiscal year 2008.

For fiscal year ended September 30, 2008, the actual revenues from the Governmental Fund totaled \$42.6 million. The ad-valorem tax revenues, the Children's Board's largest revenue source was \$39.6 million while the operating grants, contributions, and other revenue totaled \$3.0 million.

The expenses for governmental activities totaled \$40.2 million and includes a 3.0 percent market equity adjustment for provider continuation contracts.

The Children's Board's total revenues increased by \$1.5 million from \$41.1 million to \$42.6 million or 3.7 percent from fiscal year 2007 to fiscal year 2008. The total expenditures for all programs and services increased by \$3.3 million from \$36.5 million to \$40.2 million or 10.1 percent.

Property valuation and growth reported by the Hillsborough County Property Appraiser's office (Current Year Adjusted Taxable Value) increased by 2.6 percent and generated \$1.0 million in additional revenue to the Children's Board for fiscal year 2008. The millage rate for fiscal year 2008 was decreased to .4634 from .5000.

The cost of all governmental activities this year was \$40.2 million compared to \$36.5 million last year. However, as shown in the Governmental Fund statement of activities, the amount that our taxpayers ultimately financed for these activities through ad valorem taxes was only \$37.2 million because \$3.0 million was used from funds by other governments, organizations, and interest that subsidized specific programs with intergovernmental and local grants and contributions. Overall, the Children's Board's operating intergovernmental grants and contributions increased in 2008 from \$2.9 million to \$3.0 million.

At year-end 2008, the Children's Board's general fund reported \$17.0 million in fund balance, which is an increase of \$2.4 million or 16.8 percent change from fiscal year 2007.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

Table 3
General Fund Budgetary Highlights:

| | Original Budget <u>2008</u> | Amended Budget <u>2008</u> | Actual Budget <u>2008</u> |
|------------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| Revenues | | | |
| Taxes | \$ 39,354,809 | \$ 39,354,809 | \$ 39,643,357 |
| Intergovernmental | 420,950 | 904,950 | 258,745 |
| Others | <u>1,979,760</u> | <u>2,524,367</u> | <u>2,712,591</u> |
| Total revenues | 41,755,519 | 42,784,126 | 42,614,693 |
| Expenditures | | | |
| Personnel | 5,342,536 | 5,339,536 | 4,995,649 |
| Operational expenses | 3,445,613 | 3,479,669 | 3,428,249 |
| Capital equipment and expenditures | 378,000 | 378,000 | 91,581 |
| Program expenses | <u>32,889,370</u> | <u>34,144,196</u> | <u>31,661,519</u> |
| Total expenditures | <u>42,055,519</u> | <u>43,341,401</u> | <u>40,176,998</u> |
| Change to fund balance | <u>\$ (300,000)</u> | <u>\$ (557,275)</u> | <u>\$ 2,437,695</u> |

General Fund Budget Comparison

Revenue and other financing sources exceeded expenditures by \$2.4 million in the general fund for fiscal year 2008 - as shown in Table 3.

Total actual general fund revenues were relatively equal to revised budgeted revenues for fiscal year 2008. Budget amendments amounting to \$1.0 million were made during the year to increase appropriations for encumbered contracts from the prior year and include additional revenue received from new sources and expenditures related to the revenue received. Fiscal year 2007 encumbrances amounting to \$0.3 million were appropriated from the unreserved general fund balance into the fiscal year 2008 budget. Even with these adjustments, the actual charges to appropriations (total expenditures) were \$3.2 million below the final budget amounts due to decreased program and operations expenditures and appropriations encumbered for the fiscal year 2008.

The Children's Board's general fund balance change of \$2.4 million reported (Table 3) differs from the original general fund's budgetary fund balance change of \$(0.3) million reported in the budgetary comparison schedule. This is principally because the original budgetary fund balance change excludes any encumbrances that may occur, favorable operations expenditures, and completed programs under budget for the year.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The Children's Board has established a fixed asset amount of \$5,000 and greater as the threshold to recognize capitalized assets.

At the end of the fiscal year 2008, the Children's Board had \$6,441,306 invested in a variety of capital assets, which represents a net decrease of \$1,420 or 0.0 percent from the prior year 2007.

**Table 4
Change in Capital Assets**

| | Balance <u>9/30/2007</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>9/30/2008</u> |
|--|-----------------------------|---------------------|--------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land-Palm Avenue | \$ 1,082,724 | \$ - | \$ - | \$ 1,082,724 |
| Construction-in-progress | - | 15,830 | - | 15,830 |
| Depreciable assets: | | | | |
| Building-Palm Avenue | 4,730,008 | - | - | 4,730,008 |
| Improvements | 33,175 | - | - | 33,175 |
| Improvements other than building | 164,189 | - | - | 164,189 |
| Office equipment | 71,128 | 6,235 | 14,567 | 62,796 |
| Office furniture | 127,310 | - | 1,527 | 125,783 |
| Computer equipment | 234,192 | 19,672 | 27,063 | 226,801 |
| | <u>6,442,726</u> | <u>41,737</u> | <u>43,157</u> | <u>6,441,306</u> |
| Less, accumulated depreciation: | | | | |
| Building-Palm Avenue | 538,696 | 157,667 | - | 696,363 |
| Improvements | 9,319 | 5,214 | - | 14,533 |
| Improvements other than building | 60,203 | 16,419 | - | 76,622 |
| Office equipment | 61,349 | 5,095 | 14,567 | 51,877 |
| Office furniture | 64,921 | 17,401 | 1,527 | 80,795 |
| Computer equipment | 198,882 | 18,309 | 27,063 | 190,128 |
| | <u>933,370</u> | <u>220,105</u> | <u>43,157</u> | <u>1,110,318</u> |
| Capital assets, net | <u>\$ 5,509,356</u> | <u>\$ (178,368)</u> | <u>\$ -</u> | <u>\$ 5,330,988</u> |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

The following are the major changes to capital assets:

The Children's Board purchased replacement computer equipment, office equipment, and other property improvements with \$5,000 thresholds that totaled \$41,737.

LONG-TERM DEBT

At September 30, 2008, the Children's Board had \$477,344 in long-term debt versus \$432,180 at September 30, 2007, a net change of \$45,164 and 10.5 percent. This obligation is comprised of accrued vacation and sick leave. The net change consists of additions which occurred when additional leave was accrued, and deletions which occurred when leaves were used.

Section 125.901(3)(a)6, Florida Statutes, (as it existed prior to October 1, 1990) states that the Children's Board has the power and duty to lease or buy such real estate, equipment, and personal property and to construct such buildings as are needed to execute the foregoing powers and duties, provided that no such purchases shall be made or building done except for cash with funds on hand.

More detail information on capital assets and long-term debt are provided in notes 3, 4, and 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Children's Board considered many factors when setting the fiscal year 2008 budget and tax rates. The Children's Board promotes the well-being of children and families by uniting community partners, investing in innovative opportunities, and leading the county in best practices—so the whole community can realize its full potential. The organization targets programs and services for children 0-8 years old and maintains a higher level strategic focus of 3rd Grade literacy for all children, a leading indicator for many social and societal issues dealt with later in life, including poverty and crime. The strategic focus is supported by promoting healthy births, improving school readiness, providing quality out of school activities and helping families succeed.

The Children's Board strategically funds services, personnel, programs, and supports proven to improve the lives of children and families. These programs and services target the prevention and early intervention of adverse conditions for children. CBHC also funds research, training, technical assistance, capacity building, neighborhood initiatives and advocacy activities to create positive community conditions that benefit children and families. The CBHC identifies child, family, and community needs; determines the best programs and services to fund; selects and contracts with the best program/service providers; and monitors program performance. The CBHC evaluates the impact of its programs and participates in service and systems planning. Healthy births, school readiness, and early school success comprise the CBHC tactical portfolio. Fiscal and staff support is provided for technical assistance and training to support program providers and child advocates to improve delivery systems; build and maintain infrastructure; and promote family-friendly advocacy and policy development.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

The continuation of the strategic plan was considered when adopting the general fund budget for 2009. The amount available for appropriations in the general fund budget for fiscal year 2009 is \$44.0 million, a net increase of 10.0 percent over the final 2008 original budget of \$40.0 million. Ad valorem revenues for fiscal year 2009 are projected to increase 0.6 percent over fiscal year 2008 actual revenues. The Children's Board will use the additional revenues generated from taxes to finance programs currently funded, the effect that inflation is expected to have on program and operating costs, and funding for new programs.

Based on the increases in the total assessed valuation and adjusted for constitutional changes to homestead exemption for 2008, ad valorem revenues are budgeted to increase by an additional \$0.7 million to \$39.9 million for fiscal year 2009.

Contacting the Children's Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Children's Board's finances and to demonstrate the Children's Board's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Donald L. Dixon, Chief Operating Officer
Children's Board of Hillsborough County
1002 E. Palm Avenue
Tampa, FL 33605
Telephone (813) 229-2884
or visit the Children's Board's web site at
www.childrensboard.org



CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
STATEMENTS OF NET ASSETS
September 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents and investments (Note 2) | \$ 7,127,830 | \$ 6,014,365 |
| Receivables: | | |
| Ad valorem taxes | 401,475 | 367,156 |
| Other | 692,440 | 272,023 |
| Total receivables | 1,093,915 | 639,179 |
| Prepaid expenditures | 11,635 | 10,363 |
| Designated assets (Note 2): | | |
| Cash and cash equivalents: | | |
| Future commitments | 12,261,165 | 10,315,887 |
| Minimum operational expenditures | 2,203,157 | 2,106,982 |
| Building contingency fund | 200,000 | - |
| Total designated assets | 14,664,322 | 12,422,869 |
| Capital assets (Note 3): | | |
| Land | 1,082,724 | 1,082,724 |
| Property and equipment | 5,342,752 | 5,360,002 |
| Construction in progress | 15,830 | - |
| | 6,441,306 | 6,442,726 |
| Less, accumulated depreciation | (1,110,318) | (933,370) |
| Net capital assets | 5,330,988 | 5,509,356 |
| | \$ 28,228,690 | \$ 24,596,132 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 365,352 | \$ 147,649 |
| Contracts payable | 4,510,273 | 4,098,910 |
| Accrued salaries, wages and benefits | 300,942 | 250,765 |
| Accrued compensated absences (Note 5) | 477,344 | 432,180 |
| Other payables and deferrals | 755,114 | 61,126 |
| Total liabilities | 6,409,025 | 4,990,630 |
| Net assets: | | |
| Invested in net capital assets | 5,330,988 | 5,509,356 |
| Unrestricted | 16,488,677 | 14,096,146 |
| Total net assets | 21,819,665 | 19,605,502 |
| | \$ 28,228,690 | \$ 24,596,132 |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 STATEMENTS OF ACTIVITIES
 September 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| General government expenses: | | |
| Salaries, wages, and benefits (Note 4) | \$ 5,040,813 | \$ 4,846,425 |
| Operational expenses | 960,301 | 1,005,675 |
| Program expenditures | 31,661,519 | 28,328,202 |
| Other expenditures | 2,517,791 | 2,303,983 |
| Depreciation (Note 3) | <u>220,105</u> | <u>207,362</u> |
| Total government expenses | 40,400,529 | 36,691,647 |
| Program revenues: | | |
| Federal/State Grant Funds | 749,793 | 121,644 |
| Human Services Grants-Local | <u>258,745</u> | <u>410,000</u> |
| Total program revenues | 1,008,538 | 531,644 |
| General revenues: | | |
| Ad valorem taxes | 39,643,357 | 38,256,754 |
| Interest income | 815,553 | 1,371,204 |
| Miscellaneous | <u>1,147,244</u> | <u>958,938</u> |
| Total general revenues | <u>41,606,154</u> | <u>40,586,896</u> |
| Total revenues | <u>42,614,692</u> | <u>41,118,540</u> |
| NET REVENUE | 2,214,163 | 4,426,893 |
| NET ASSETS - beginning of year | <u>19,605,502</u> | <u>15,178,609</u> |
| NET ASSETS - end of year | <u>\$ 21,819,665</u> | <u>\$ 19,605,502</u> |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2008

| | <u>General</u> <u>Fund</u> | <u>Total</u> <u>(Memorandum Only)</u> |
|--|-------------------------------|--|
| ASSETS | | |
| Cash and cash equivalents and investments (Note 2) | \$ 7,127,830 | \$ 7,127,830 |
| Receivables: | | |
| Ad valorem taxes | 401,475 | 401,475 |
| Other | 692,440 | 692,440 |
| Prepaid expenditures | 11,635 | 11,635 |
| Designated assets (Note 2): | | |
| Cash and cash equivalents: | | |
| Future commitments | 12,261,165 | 12,261,165 |
| Minimum operational expenditures | 2,203,157 | 2,203,157 |
| Building contingency fund | 200,000 | 200,000 |
| | \$ 22,897,702 | \$ 22,897,702 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 365,352 | \$ 365,352 |
| Contracts payable | 4,510,273 | 4,510,273 |
| Accrued salaries, wages and benefits | 300,942 | 300,942 |
| Other payables and deferrals | 755,114 | 755,114 |
| Total liabilities | 5,931,681 | 5,931,681 |
| Fund balances | | |
| Reserved fund balances | | |
| Reserved for prepaid expenditures | 11,635 | 11,635 |
| Reserved for future commitments of currently funded programs | 12,261,165 | 12,261,165 |
| Reserved for minimum operational expenditures | 2,203,157 | 2,203,157 |
| Reserved for building contingency | 200,000 | 200,000 |
| Unreserved fund balances: | | |
| Designated for future expenditures | 477,344 | 477,344 |
| Undesignated | 1,812,720 | 1,812,720 |
| Total fund balance | 16,966,021 | 16,966,021 |
| | \$ 22,897,702 | \$ 22,897,702 |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2007

| | <u>General Fund</u> | <u>Total (Memorandum Only)</u> |
|---|-------------------------|------------------------------------|
| ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 6,014,365 | \$ 6,014,365 |
| Receivables: | | |
| Ad valorem taxes | 367,156 | 367,156 |
| Other | 272,023 | 272,023 |
| Prepaid expenditures | 10,363 | 10,363 |
| Designated assets: | | |
| Cash and cash equivalents: | | |
| Future commitments | 10,315,887 | 10,315,887 |
| Minimum operational expenditures | <u>2,106,982</u> | <u>2,106,982</u> |
| | <u>\$ 19,086,776</u> | <u>\$ 19,086,776</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 147,649 | \$ 147,649 |
| Contracts payable | 4,098,910 | 4,098,910 |
| Accrued salaries, wages and benefits | 250,765 | 250,765 |
| Other payables and deferrals | <u>61,126</u> | <u>61,126</u> |
| Total liabilities | 4,558,450 | 4,558,450 |
| Fund balances | | |
| Reserved fund balances | | |
| Reserved for prepaid expenditures | 10,363 | 10,363 |
| Reserved for future commitments of currently funded programs | 10,315,887 | 10,315,887 |
| Reserved for minimum operational expenditures | 2,106,982 | 2,106,982 |
| Unreserved fund balances: | | |
| Designated for future expenditures | 432,180 | 432,180 |
| Undesignated | <u>1,662,914</u> | <u>1,662,914</u> |
| Total fund balance | <u>14,528,326</u> | <u>14,528,326</u> |
| | <u>\$ 19,086,776</u> | <u>\$ 19,086,776</u> |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 RECONCILIATION OF TOTAL GOVERNMENT FUNDS BALANCE
 TO THE STATEMENTS OF NET ASSETS
 September 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|----------------------|----------------------|
| Total governmental fund balance | \$ 16,966,021 | \$ 14,528,326 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund. | 5,330,988 | 5,509,356 |
| Accrual of compensated absences used in governmental activities are not reported in the fund because they are not due and payable in the current period. | <u>(477,344)</u> | <u>(432,180)</u> |
| Net assets of governmental activities | <u>\$ 21,819,665</u> | <u>\$ 19,605,502</u> |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year ended September 30, 2008

| | <u>General</u> <u>Fund</u> | <u>Total</u> <u>(Memorandum Only)</u> |
|---|-------------------------------|--|
| Operating revenues: | | |
| Ad valorem taxes | \$ 39,643,357 | \$ 39,643,357 |
| Interest income | 815,553 | 815,553 |
| Intergovernmental - Federal/State | 749,793 | 749,793 |
| Local grants | 258,745 | 258,745 |
| Other | 1,147,245 | 1,147,245 |
| Total revenues | 42,614,693 | 42,614,693 |
| Operating expenditures: | | |
| General government - | | |
| Personnel | 4,995,649 | 4,995,649 |
| Operational | 910,456 | 910,456 |
| Other | 2,517,793 | 2,517,793 |
| Total general government | 8,423,898 | 8,423,898 |
| Program funding: | | |
| Continuation programs | | |
| Infrastructure programs | 12,860,831 | 12,860,831 |
| Direct Service programs | 4,168,637 | 4,168,637 |
| Match/Leveraging programs | 10,155,170 | 10,155,170 |
| Out of School Time/Summer | 993,669 | 993,669 |
| Other Continuation programs | 771,605 | 771,605 |
| New Program Funding | | |
| Match/Leveraging programs | 269,341 | 269,341 |
| Analysis | 618,381 | 618,381 |
| Technical Assistance | 152,063 | 152,063 |
| Out of School Time/Summer | 342,898 | 342,898 |
| Other Programs Administrative Related | 1,328,924 | 1,328,924 |
| Total program funding | 31,661,519 | 31,661,519 |
| Capital equipment and expenditures | 91,581 | 91,581 |
| Total expenditures | 40,176,998 | 40,176,998 |
| Net change in fund balance | 2,437,695 | 2,437,695 |
| Fund balance, beginning of year | 14,528,326 | 14,528,326 |
| Fund balance, end of year | \$ 16,966,021 | \$ 16,966,021 |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUND
 Year ended September 30, 2007

| | <u>General</u> <u>Fund</u> | <u>Total</u> <u>(Memorandum Only)</u> |
|---|-------------------------------|--|
| Operating revenues: | | |
| Ad valorem taxes | \$ 38,256,754 | \$ 38,256,754 |
| Interest income | 1,371,204 | 1,371,204 |
| Intergovernmental - Federal/State | 121,644 | 121,644 |
| Local grants | 410,000 | 410,000 |
| Other | 958,938 | 958,938 |
| Total revenues | 41,118,540 | 41,118,540 |
| Operating expenditures: | | |
| General government - | | |
| Personnel | 4,797,424 | 4,797,424 |
| Operational | 1,005,675 | 1,005,675 |
| Other | 2,303,983 | 2,303,983 |
| Total general government | 8,107,082 | 8,107,082 |
| Program funding: | | |
| Continuation programs | | |
| Infrastructure programs | 12,420,574 | 12,420,574 |
| Direct Service programs | 4,047,922 | 4,047,922 |
| Match / Leveraging programs | 7,264,982 | 7,264,982 |
| Other Continuation programs | 946,596 | 946,596 |
| New Program Funding | | |
| Match / Leveraging programs | 1,395,717 | 1,395,717 |
| Analysis | 64,020 | 64,020 |
| Technical Assistance | 441,640 | 441,640 |
| Out of School Time / Summer | 1,009,330 | 1,009,330 |
| Other Programs Administrative Related | 737,421 | 737,421 |
| Total program funding | 28,328,202 | 28,328,202 |
| Capital equipment and expenditures | 43,315 | 43,315 |
| Total expenditures | 36,478,599 | 36,478,599 |
| Net change in fund balance | 4,639,941 | 4,639,941 |
| Fund balance, beginning of year | 9,888,385 | 9,888,385 |
| Fund balance, end of year | \$ 14,528,326 | \$ 14,528,326 |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO STATEMENTS OF ACTIVITIES
 Year ended September 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| Net change in fund balance - total governmental funds | \$ 2,437,695 | \$ 4,639,941 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| Compensatory absences not recognized as Governmental Funds costs | (45,164) | (49,001) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period. | (178,368) | (164,047) |
| The book value of assets disposed of during the year are not reported as an expenditure in the governmental funds; however, it is recognized as a component of gain on the disposition of capital assets in the statement of activities. | - | - |
| Change in net assets of governmental activities | \$ 2,214,163 | \$ 4,426,893 |

See accompanying notes to financial statements.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity: The Children's Board of Hillsborough County (the Children's Board) is authorized under section 125.901, Florida Statutes (Chapter 86-197, Laws of Florida). The Children's Board was established as an independent special district by the approval of county voters in 1988 and the effective date of the creation of the Children's Board was January 1, 1989. As authorized in Section 31 of Chapter 90-288, Laws of Florida, the Children's Board operates under the provisions of section 125.901, Florida Statutes, as they existed prior to October 1, 1990.

The mission of the Children's Board is to promote the well-being of children and families by uniting community partners, investing in innovative opportunities, and leading the county in best practices—so the whole community can realize its full potential.

The Children's Board strategically funds services, personnel, programs, and supports proven to improve the lives of children and families. These programs and services target the prevention and early intervention of adverse conditions for children. CBHC also fund: research, training, technical assistance, capacity building, neighborhood initiatives and advocacy activities to create positive community conditions that benefit children and families.

The CBHC identifies child, family, and community needs; determines the best programs and services to fund; selects and contracts with the best program/service providers; and monitors program performance. The CBHC evaluates the impact of its programs and participates in service and systems planning.

Healthy births, school readiness, and early school success comprise the CBHC tactical portfolio. Fiscal and staff support is provided for technical assistance and training to support program providers and child advocates to improve delivery systems; build and maintain infrastructure; and promote family-friendly advocacy and policy development.

The Children's Board provides funding for various agencies in the form of written contracts. Each agency funded by the Children's Board is financially independent of the Children's Board. The Children's Board has no authority to appoint or hire management of the agencies, nor does it have responsibility for routine operations of the agencies. Based upon application of these factors, it has been concluded that the Children's Board has no oversight responsibility for the various funded agencies, and therefore, the financial statements of the various funded agencies are excluded for the reporting entity.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Children's Board has been determined to be an "Independent Special District" as described in Section 189.403, Florida Statutes, and is an "Other Stand-Alone Government" as defined by Governmental Accounting Standards Board (GASB) of the Financial Accounting Foundation Statement No. 14, *The Financial Reporting Entity*. An Other Stand-Alone Government does not have a separately elected governing body and does not meet the definition of a component unit of a primary government, as defined. The Children's Board is authorized to levy an ad valorem tax of up to one-half mil (\$.0005) on the taxable value of real and tangible personal property within the jurisdiction of its members. The Children's Board's ad valorem taxes are assessed as part of the annual assessment of Hillsborough County, which levies its taxes November 1 of each year. Collection of taxes is scheduled for November through the following March. Taxes become delinquent April 1 and tax certificates placing liens on the property are sold May 31.

The significant accounting policies followed are described below.

Basis of Accounting and Presentation: The financial statements of the Children's Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and reporting principles.

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information on all of the nonfiduciary activities of the Children's Board as a whole.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the way governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Governmental Fund Financial Statements: The financial transactions of the Children's Board are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the Children's Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

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

Property taxes are recorded as revenue during the fiscal year for which the taxes are levied, and are recognized when they become available.

The General Fund is the general operating fund of the Children's Board. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. There were no Special Revenue Funds utilized in fiscal year 2008 or 2007.

Accounting Pronouncements: In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB followed with Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an Amendment to GASB Statements No. 21 and No. 34*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements eliminate the concept of fund balance and introduce the concept of net assets. The Children's Board has adopted these statements for its 2003 financial statements and forward. The difference between the fund balance and the net assets is presented in the reconciliation of total governmental funds balance to the statement of net assets.

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the overall financial position and results of operations for the Children's Board.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

- Financial statements prepared using full accrual accounting for all of the activities of the Children's Board.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict or contradict GASB pronouncements.

Tax-exempt Status: As a governmental unit, the Children's Board is exempt from federal and state income taxes.

Memorandum Only - Total Columns: Columns on the statements which are captioned "Totals - Memorandum Only" are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in fund balances in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. In the balance sheet for governmental funds, the interfund eliminations have not been made.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from these estimates.

Budgets: A formal budget is adopted for the general fund on a GAAP basis and is used as a limitation on expenditures. The original version of the budget was approved by the Board of Directors of the Children's Board on September 27, 2007 and became effective on October 1, 2007. The budget is changed for adjustments, but not to increase the level of expenditures. After final approval, no reductions or increases are permitted, except in the administrative budget, without the approval of the Board of Directors. The Chief Executive Officer is permitted to change the categories within the administrative budget by 10% so long as the aggregate administrative budget is not increased. Appropriations lapse at year-end, and budgetary control is at the fund level.

Cash and Cash Equivalents and Investments: Cash consists of checking accounts, collectively designated as demand deposits. Cash deposits are carried at cost. The Children's Board considers all highly liquid debt instruments (including restricted assets) with original maturities of three months or less to be cash equivalents. Cash equivalents are recorded at amortized cost, which approximates market value. The investments constitute the fair value of the shares currently in SBA Fund B and Banc of America government securities.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Capital Assets

Capital assets with an original value of \$5,000 or more, and additions, improvements and other capital outlays having an original cost of \$5,000 or more that significantly extend the useful life are capitalized. Capital assets are accounted for in the government-wide statements, rather than in the fund financial statements. Routine maintenance, repairs, renewals and replacement costs are charged against operations.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The depreciation on assets, where disclosed, is provided using the straight-line method over the following estimated useful lives:

| | |
|----------------------------------|----------|
| Buildings | 30 years |
| Improvements | 7 years |
| Improvements other than building | 10 years |
| Office equipment | 5 years |
| Office furniture | 7 years |
| Computer equipment | 3 years |

Contracts Payable: Contracts payable represents the Children's Board's liability to funded agencies for expenditures incurred under approved contracts which had not been paid by the Children's Board at year end.

Compensated Absences: Following Hillsborough County's Civil Service Law and pursuant to the Rules of the Civil Service Board, full-time, classified, permanent employees earn a paid vacation of two calendar weeks (10 working days) a year, increasing on a graduated scale to a maximum period of four calendar weeks (20 working days) after 15 years of service. Unclassified employees earn a paid vacation of three calendar weeks (15 working days) a year increasing on a graduated scale to a maximum period of six calendar weeks (30 working days) after 15 years of service.

Prior to February 2, 1997, all employees could accrue vacation without limit for use during the period of active employment, but payments of unused vacation for classified employees generally were limited to two times the number of days that the employee was entitled to accrue on an annual basis. However, effective on February 2, 1997, payments for unused annual leave are now subject to a limit of 320 hours or the employee's balance of accrued leave before February 2, 1997, whichever is greater.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

On February 2, 1997, the Children's Board revised its sick leave policy to create two separate plans. For existing employees electing not to transfer to the new plan, sick leave is accumulated at a rate of approximately 12 working days per year. For those employees transferring to the new plan and all employees hired on or after February 2, 1997, sick leave is accumulated at a rate of approximately eight working days per year. Sick leave may be accumulated without limit with respect to use but may not be paid or converted except as specifically provided by the Rules of the Civil Service Board. Payments for accumulated sick leave are not made until a recognized retirement by specific personnel that made elections prior to February 2, 1997.

In accordance with Statement No. 16 of GASB, *Accounting for Compensated Absences*, the compensated absences liability represents an accrual for vacation and sick leave and is calculated based on the pay or salary rates in effect at the balance sheet date. Additionally, accruals have been made for salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date. The salary-related payments subject to this accrual are those items for which an employer is liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. Accordingly, the Children's Board has recognized 7.65% of the compensated absences liability, representing its share of the Social Security and Medicare taxes. An accrual is also made for the pension cost related to the compensated absences.

Interfund Activity: Interfund activity is reported as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide financial statements. Transfers occur between the general fund and the special revenue fund in order for the Children's Board to fund particular matching programs. For fiscal years 2008 and 2007 the Children's Board did not have an active interfund special revenue fund.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2008, the bank balance of the Children's Board deposits was \$920,019 and the book balance was \$719,557. At September 30, 2007, the bank balance of the Children's Board deposits was \$819,827, and the book balance was \$643,280. The difference between the Children's Board book amount and bank amount is due to outstanding checks in its demand accounts.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Of the September 30, 2008 and 2007 Children's Board bank balances, \$100,000 was covered by federal depository insurance (FDIC) and \$820,019 and \$719,827, respectively, was collateralized by the State of Florida collateral pool. The State of Florida collateral pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if its member institution fails. Required collateral is defined under Chapter 280 of the Florida Statutes, *Security for Public Deposits*.

Custodial Credit Risk - Deposits: Custodial risk is the risk that in the event of bank failure, the Children's Board's deposits may not be returned to it. Florida Statutes require deposits by governmental units in a financial institution be collateralized. The State of Florida maintains control over the collateral requirements and authorizes certain financial institutions to act as depositories for governmental units. The Children's Board's maintains all accounts in financial institutions approved by the State of Florida.

Investments: Florida Statutes authorize the Children's Board to invest surplus funds in obligations of the United States Treasury and agencies of the federal government, and in interest-bearing time deposits and savings accounts in banks and savings and loans associations, provided such time deposits and savings accounts are collateralized by securities held by the depository institution or by its trust department, or agent, but not in the entity's name. Florida Statutes authorize the Children's Board to invest in the Local Government Surplus Funds Trust Fund Investment Pool (**the "Surplus Funds Investment Pool"**) administered by the State Board of Administration ("SBA") under the regulatory local government oversight of the State of Florida. Throughout the year and as of September 30, 2008, the Local Government Surplus Funds Trust Fund Investment Pool contained certain floating rate notes, which were indexed based. At November 29, 2007 the SBA suspended operations to eliminate the possibility of members withdrawing a majority of liquidity from the Local Government Investment Pool. This action was taken by the State trustees of the fund after determining the fund had investments that had possibilities of default and not tradable at that time. The fund was subsequently divided using a weighted average as to LGIP tradable securities and Fund B Non-tradable securities of which the Children's Board had \$16.8M and \$2.3M, respectfully, invested. The Children's Board finance committee voted, on March 20, 2008, to withdraw all LGIP funds as available and invest such with our present financial institution in a high-quality money market fund.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008 and 2007

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

As part of their investment strategy the Children's Board invested funds throughout the year ended September 30, 2008 and 2007 with the Treasury Reserves Market Shares, an automated overnight investment account administered by the Bank of America, N.A. Throughout the year ended September 30, 2008 and 2007, the investment account contained certain floating dividend rates which were indexed based on the net of any rate discount (not to exceed .0041% of daily assets) constituting bank remuneration as set forth in the Customer Agreement for Commercial Automated Investment Account. No funds were invested in this account as of September 30, 2008 and 2007. The Children's Board also invests short term surplus funds in Banc Of America Securities' Columbia Government Reserves Fund. The fund is an SEC registered money market fund which invests in high-quality money market instruments, with at least 80% of net assets in U.S. government obligations.

At September 30, the Children's Board's investments, with their corresponding ratings from Standard & Poor's, were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Credit Rating</u> |
|---|----------------------|----------------------|
| Local Government Surplus Funds Trust Fund | | |
| LGIP | \$ 1,077 | AAAm |
| Fund B | 582,598 | Unrated |
| Banc of America | | |
| Government Reserves | <u>20,488,920</u> | AAAm |
| | <u>\$ 21,072,595</u> | |

Investment policy: The investment policy of the Children's Board is established in accordance with Florida Statutes Section 218.415, the Statutory Investment Policy Method. The investment policy is designed to ensure protection of principal, provide adequate liquidity and earn a competitive market rate of return.

| <u>Concentration of Credit Risk</u> | <u>Amount</u> | <u>Percent of Portfolio</u> |
|---|---------------|-----------------------------|
| Issuer | | |
| Banc of America | \$ 20,488,920 | 97.2% |
| Local Government Surplus Funds Trust Fund | 583,675 | 2.8% |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008 and 2007

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Rate Risk: As a means of limiting its exposure to fair market value losses arising from interest rates, the Children's Board's investment policy is structured to provide sufficient liquidity to pay obligations as they come due. All of the Children's Board's investment portfolios were intended to have maturities of less than one year.

As of September 30, 2008, the Children's Board has the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | | |
|--|-------------------|---|--------------|--------------|---------------|----------------|
| | | <u>Less than 1</u> | <u>1 - 3</u> | <u>3 - 5</u> | <u>5 - 10</u> | <u>10 - 20</u> |
| Bank of America - Government Reserves | \$ 20,488,920 | \$ 20,488,920 | \$ - | \$ - | \$ - | \$ - |
| Local Government Surplus Funds Trust Funds | | | | | | |
| Fund B | 582,598 | 582,598 | - | - | - | - |
| LGIP | 1,077 | 1,077 | - | - | - | - |

As of September 30, 2007, the Children's Board had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | | |
|---|-------------------|---|--------------|--------------|---------------|----------------|
| | | <u>Less than 1</u> | <u>1 - 3</u> | <u>3 - 5</u> | <u>5 - 10</u> | <u>10 - 20</u> |
| Local Government Surplus Funds Trust Fund Investment Pool | \$ 17,793,954 | \$ 17,793,954 | \$ - | \$ - | \$ - | \$ - |

Concentration of Credit Risk: The Children's Board places no limit on the amount they may invest in any one issuer. The majority of the Board's investments are in the Banc of America subsidiary Columbia Management Investments. These investments are 100% of the Board's investments exclusive of the Fund B Local Government Investment Pool investments that mature and are withdrawn immediately.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008 and 2007

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and cash equivalents and investments are reported in the accompanying statements of net assets as follows:

| | September 30, | |
|---|---------------|---------------|
| | 2008 | 2007 |
| Current assets: | | |
| Cash and cash equivalents and investments | \$ 7,127,830 | \$ 6,014,365 |
| Designated assets: | | |
| Cash and cash equivalents and investments | 14,664,322 | 12,422,869 |
| | \$ 21,792,152 | \$ 18,437,234 |

The statement of net assets classifications are summarized by investment categories as follows:

| | September 30, | |
|-----------------------------------|---------------|---------------|
| | 2008 | 2007 |
| Cash | \$ 719,557 | \$ 643,280 |
| Local Government Surplus Funds | | |
| Trust Fund Investment pool | 583,675 | 17,793,954 |
| Invested in Government Securities | 20,488,920 | - |
| | \$ 21,792,152 | \$ 18,437,234 |

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(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 3 - CAPITAL ASSETS

Capital assets of the Children's Board as of September 30, 2008 and 2007 consisted of the following:

| | Balance <u>9/30/2007</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>9/30/2008</u> |
|--|-----------------------------|---------------------|--------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land-Palm Avenue | \$ 1,082,724 | \$ - | \$ - | \$ 1,082,724 |
| Construction-in-progress | - | 15,830 | - | 15,830 |
| Depreciable assets: | | | | - |
| Building-Palm Avenue | 4,730,008 | - | - | 4,730,008 |
| Improvements | 33,175 | - | - | 33,175 |
| Improvements other than building | 164,189 | - | - | 164,189 |
| Office equipment | 71,128 | 6,235 | 14,567 | 62,796 |
| Office furniture | 127,310 | - | 1,527 | 125,783 |
| Computer equipment | 234,192 | 19,672 | 27,063 | 226,801 |
| | <u>6,442,726</u> | <u>41,737</u> | <u>43,157</u> | <u>6,441,306</u> |
| Less, accumulated depreciation: | | | | |
| Building-Palm Avenue | 538,696 | 157,667 | - | 696,363 |
| Improvements | 9,319 | 5,214 | - | 14,533 |
| Improvements other than building | 60,203 | 16,419 | - | 76,622 |
| Office equipment | 61,349 | 5,095 | 14,567 | 51,877 |
| Office furniture | 64,921 | 17,401 | 1,527 | 80,795 |
| Computer equipment | 198,882 | 18,309 | 27,063 | 190,128 |
| | <u>933,370</u> | <u>220,105</u> | <u>43,157</u> | <u>1,110,318</u> |
| Capital assets, net | <u>\$ 5,509,356</u> | <u>\$ (178,368)</u> | <u>\$ -</u> | <u>\$ 5,330,988</u> |

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(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008 and 2007

NOTE 3 - CAPITAL ASSETS (Continued)

| | Balance <u>9/30/2006</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>9/30/2007</u> |
|--|-----------------------------|---------------------|--------------------|-----------------------------|
| Non-depreciable assets: | | | | |
| Land - Palm Avenue | \$ 1,082,724 | \$ - | \$ - | \$ 1,082,724 |
| Depreciable assets: | | | | |
| Building - Palm Avenue | 4,730,008 | - | - | 4,730,008 |
| Improvements | 24,875 | 8,300 | - | 33,175 |
| Improvements other than building | 164,189 | - | - | 164,189 |
| Office equipment | 71,128 | - | - | 71,128 |
| Office furniture | 127,310 | - | - | 127,310 |
| Computer equipment | 220,001 | 35,015 | 20,824 | 234,192 |
| | <u>6,420,235</u> | <u>43,315</u> | <u>20,824</u> | <u>6,442,726</u> |
| Less, accumulated depreciation: | | | | |
| Building - Palm Avenue | 381,029 | 157,667 | - | 538,696 |
| Improvements | 5,627 | 3,692 | - | 9,319 |
| Improvements other than building | 43,784 | 16,419 | - | 60,203 |
| Office equipment | 56,338 | 5,011 | - | 61,349 |
| Office furniture | 47,519 | 17,402 | - | 64,921 |
| Computer equipment | 212,535 | 7,171 | 20,824 | 198,882 |
| | <u>746,832</u> | <u>207,362</u> | <u>20,824</u> | <u>933,370</u> |
| Capital assets, net | <u>\$ 5,673,403</u> | <u>\$ (164,047)</u> | <u>\$ -</u> | <u>\$ 5,509,356</u> |

Depreciation expense during the year ended September 30, 2008 and 2007, was \$220,105 and \$207,362, respectively. These amounts are included in depreciation in the accompanying Government-wide statement of activities and changes in net assets. Contractual commitments for parking space improvements began in the fourth quarter of fiscal year 2008.

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(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 4 - EMPLOYEE DEFERRED COMPENSATION AND RETIREMENT PLANS

Defined Benefit Pension Plan: Substantially all full-time employees of the Children's Board are participants in the Florida Retirement System ("the System"), a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature covers full-time employees of various governmental units within the State of Florida.

The System provides for vesting benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after 62 years with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based on age, average compensation and years-of-service credit where the average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to this retirement system.

The Children's Board has no responsibility to the System other than to make the periodic payments required by the State Statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Participating employer contributions are based upon statewide rates established by the State of Florida. For the System's fiscal year commencing July 1, 2008, these rates are applied to employee salaries at 9.85%. The Children's Board's contributions during the years ended September 30, 2008 and 2007 were \$467,069 and \$405,475, respectively, equal to the required contributions for each year.

Effective July 1, 1998, the Florida Legislature established a Deferred Retirement Option Program ("DROP"). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a System employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

Defined Contribution Plan - Beginning December 1, 2002, the System offered a second retirement plan option, the FRS Investment Plan. Under this plan the employer pays all contributions, which are a percentage of salary based on the System's Membership Class. The employee makes investment elections within the investment funds chosen by the State Board of Administration. The retirement benefit is based on the account balance, and the benefit is vested after one year of service. If an employee leaves the job, he or she can keep the benefit in the System, or transfer his or her account to another retirement plan. The employee can also elect to cash out the benefit when leaving but is subject to tax penalties for taking early withdrawal. The employee in this plan is not eligible for DROP. All employees in the System's defined benefit pension plan were given a choice of switching to the FRS Investment Plan within a designated time period.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008 and 2007

NOTE 4 - EMPLOYEE DEFERRED COMPENSATION AND RETIREMENT PLANS
 (Continued)

Deferred Compensation Plan: The Children's Board offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The International City Managers Association (ICMA) administers the plan. The plan is available to all permanent employees, which allows a deferral of a portion of their wages until future years. The Children's Board contributes 1.5% or 2.5% of compensation, depending on the retirement plan elected by the employee at February 1, 1997 or after that date. A distribution from the deferred compensation plan to an employee is allowed at termination of employment, retirement, death, or under certain emergencies. Vesting is simultaneously with the contribution. Employees are allowed to contribute on a pre-tax basis not to exceed amounts dictated by U.S. Treasury Regulations. Employer contributions during the years ended September 30, 2008 and 2007 were \$103,530 and \$90,658, respectively.

Post-employment Benefits Other Than Pensions: The Children's Board implemented GASB pronouncement # 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions", for fiscal year 2008 utilizing the "Cost Sharing Multiple Employer Plan." Children's Board accrued \$38,020 for funding of future costs to post-retirement participants in the Hillsborough County health system based on a biannual actuarial report. The actuary is retained by Hillsborough County and provides the Children's Board the cost per employee to accrue for future costs.

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended September 30, 2008 and 2007, is comprised of the following for accrued compensated absences:

| | Balance September 30, <u>2007</u> | <u>Additions</u> | <u>Reductions</u> | Balance September 30, <u>2008</u> |
|--------------------|---|-------------------|-------------------|---|
| Accrued vacation | \$ 255,079 | \$ 241,468 | \$ 191,254 | \$ 305,294 |
| Sick leave payable | 177,101 | 110,746 | 115,797 | 172,050 |
| | <u>\$ 432,180</u> | <u>\$ 352,214</u> | <u>\$ 307,051</u> | <u>\$ 477,344</u> |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008 and 2007

NOTE 5 - LONG-TERM LIABILITIES (Continued)

| | Balance September 30, <u>2006</u> | <u>Additions</u> | <u>Reductions</u> | Balance September 30, <u>2007</u> |
|--------------------|---|-------------------|-------------------|---|
| Accrued vacation | \$ 224,523 | \$ 256,442 | \$ 225,884 | \$ 255,079 |
| Sick leave payable | <u>158,656</u> | <u>41,083</u> | <u>22,638</u> | <u>177,101</u> |
| | <u>\$ 383,179</u> | <u>\$ 297,525</u> | <u>\$ 248,522</u> | <u>\$ 432,180</u> |

NOTE 6 - UNRESTRICTED FUND BALANCES

By resolution of the Board of Directors of Children's Board the following have been internally reserved:

| | Balance September 30, <u>2008</u> | Balance September 30, <u>2007</u> |
|--------------------------------------|---|---|
| Reserved fund balances: | | |
| For prepaid expenditures | \$ 11,635 | \$ 10,363 |
| For future commitments | 12,261,165 | 10,315,887 |
| For minimum operational expenditures | 2,203,157 | 2,106,982 |
| Building contingency | <u>200,000</u> | <u>-</u> |
| | 14,675,957 | 12,433,232 |
| Unreserved fund balances: | | |
| Designated for future expenditures | <u>477,344</u> | <u>432,180</u> |
| | <u>\$ 15,153,301</u> | <u>\$ 12,865,412</u> |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 7 - ACCOUNTING SERVICES TO EARLY LEARNING COALITION (ELC)

The Children's Board during fiscal year 2008 renewed the annual contract with The Hillsborough County School Readiness Coalition, Inc., d/b/a Early Learning Coalition, Inc. (the Coalition), an unrelated not-for-profit organization incorporated in Florida and qualified under Section 501(c)(3) of the Internal Revenue Code to furnish accounting services for the Coalition for the period commencing July 1, 2007 through June 30, 2008.

Under the terms of this agreement, the Children's Board agrees to perform certain administrative services on behalf of the Coalition that will be reimbursed. The Children's Board is required, among other terms to:

- Establish and maintain books, records, and documents, including electronic record keeping and administration of the payroll.
- Establish and maintain an accurate account of property and equipment ("fixed assets").
- Prepare monthly financial reports.

The Children's Board is not financially responsible for any of the obligations of the Coalition.

NOTE 8 - ENCUMBRANCES

Encumbrance accounting is employed in governmental funds. The encumbrances from fiscal year 2008 for \$862,155 remain in force and will continue to be liquidated under the current year's budget that extends into the subsequent fiscal period 2009 and noted as a revised budget increase approved by the governing Board in that period.

SUPPLEMENTAL INFORMATION

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GOVERNMENTAL FUND
Year ended September 30, 2008

| | General Fund | | | | Totals (Memorandum Only) | | | |
|--|----------------------|----------------------|----------------------|--|-----------------------------|----------------------|----------------------|--|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
| Operating revenues: | | | | | | | | |
| Ad valorem taxes | \$ 39,354,809 | \$ 39,354,809 | \$ 39,643,357 | \$ 288,548 | \$ 39,354,809 | \$ 39,354,809 | \$ 39,643,357 | \$ 288,548 |
| Interest income | 1,181,976 | 1,181,976 | 815,553 | (366,423) | 1,181,976 | 1,181,976 | 815,553 | (366,423) |
| Intergovernmental revenues | - | 536,607 | 749,793 | 213,186 | - | 536,607 | 749,793 | 213,186 |
| Local grants | 420,950 | 904,950 | 258,745 | (646,205) | 420,950 | 904,950 | 258,745 | (646,205) |
| Other | 797,784 | 805,784 | 1,147,245 | 341,461 | 797,784 | 805,784 | 1,147,245 | 341,461 |
| Total revenues | 41,755,519 | 42,784,126 | 42,614,693 | (169,433) | 41,755,519 | 42,784,126 | 42,614,693 | (169,433) |
| Operating expenditures: | | | | | | | | |
| General government | 8,788,149 | 8,819,205 | 8,423,898 | 395,307 | 8,788,149 | 8,819,205 | 8,423,898 | 395,307 |
| Program funding: | | | | | | | | |
| Programs | 32,889,370 | 34,144,196 | 31,661,519 | 2,482,677 | 32,889,370 | 34,144,196 | 31,661,519 | 2,482,677 |
| Capital outlay | 378,000 | 378,000 | 91,581 | 286,419 | 378,000 | 378,000 | 91,581 | 286,419 |
| Total expenditures | 42,055,519 | 43,341,401 | 40,176,998 | 3,164,403 | 42,055,519 | 43,341,401 | 40,176,998 | 3,164,403 |
| Excess (expenditures) over revenues | (300,000) | (557,275) | 2,437,695 | 2,994,970 | (300,000) | (557,275) | 2,437,695 | 2,994,970 |
| Fund balance, beginning of year | 14,528,326 | 14,528,326 | 14,528,326 | - | 14,528,326 | 14,528,326 | 14,528,326 | - |
| Fund balance, end of year | <u>\$ 14,228,326</u> | <u>\$ 13,971,051</u> | <u>\$ 16,966,021</u> | <u>\$ 2,994,970</u> | <u>\$ 14,228,326</u> | <u>\$ 13,971,051</u> | <u>\$ 16,966,021</u> | <u>\$ 2,994,970</u> |

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GOVERNMENTAL FUND
Year ended September 30, 2007

| | General Fund | | | | Totals (Memorandum Only) | | | |
|--|---------------------|---------------------|----------------------|--|-----------------------------|---------------------|----------------------|--|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
| Operating revenues: | | | | | | | | |
| Ad valorem taxes | \$ 37,927,104 | \$ 37,927,104 | \$ 38,256,754 | \$ 329,650 | \$ 37,927,104 | \$ 37,927,104 | \$ 38,256,754 | \$ 329,650 |
| Interest income | 1,087,636 | 1,087,636 | 1,371,204 | 283,568 | 1,087,636 | 1,087,636 | 1,371,204 | 283,568 |
| Intergovernmental revenues | - | - | 121,644 | 121,644 | - | - | 121,644 | 121,644 |
| Local grants | 560,000 | 560,000 | 410,000 | (150,000) | 560,000 | 560,000 | 410,000 | (150,000) |
| Other | 764,256 | 764,256 | 958,938 | 194,682 | 764,256 | 764,256 | 958,938 | 194,682 |
| Total revenues | 40,338,996 | 40,338,996 | 41,118,540 | 779,544 | 40,338,996 | 40,338,996 | 41,118,540 | 779,544 |
| Operating expenditures: | | | | | | | | |
| General government | 8,262,210 | 8,336,475 | 8,107,082 | 229,393 | 8,262,210 | 8,336,475 | 8,107,082 | 229,393 |
| Program funding: | | | | | | | | |
| Other programs | 32,306,277 | 32,830,345 | 28,328,202 | 4,502,143 | 32,306,277 | 32,830,345 | 28,328,202 | 4,502,143 |
| Capital outlay | 55,200 | 80,200 | 43,315 | 36,885 | 55,200 | 80,200 | 43,315 | 36,885 |
| Total expenditures | 40,623,687 | 41,247,020 | 36,478,599 | 4,768,421 | 40,623,687 | 41,247,020 | 36,478,599 | 4,768,421 |
| Excess (expenditures) over revenues | (284,691) | (908,024) | 4,639,941 | 5,547,965 | (284,691) | (908,024) | 4,639,941 | 5,547,965 |
| Fund balance, beginning of year | 9,888,385 | 9,888,385 | 9,888,385 | - | 9,888,385 | 9,888,385 | 9,888,385 | - |
| Fund balance, end of year | <u>\$ 9,603,694</u> | <u>\$ 8,980,361</u> | <u>\$ 14,528,326</u> | <u>\$ 5,547,965</u> | <u>\$ 9,603,694</u> | <u>\$ 8,980,361</u> | <u>\$ 14,528,326</u> | <u>\$ 5,547,965</u> |



Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS 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

Board of Directors
Children's Board of Hillsborough County
Tampa, Florida

We have audited the accompanying financial statements of the Children's Board of Hillsborough County (the "Children's Board") as of September 30, 2008, and have issued our report thereon dated February 16, 2009. 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 Children's Board'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 for the purpose of expressing an opinion on the effectiveness of the Children's Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Children's Board'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider a deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 08-01 and 08-02 to be a significant deficiency.

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 entity's internal control.

(Continued)

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

Children's Board of Hillsborough County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Children's Board responses and, accordingly, express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Children's Board'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.

This report is intended solely for the information and use of the Board of Directors of the Children's Board of Hillsborough County, management and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

February 16, 2009
Tampa, Florida



Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE FINANCIAL
ASSISTANCE PROJECTS AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Directors
Children's Board of Hillsborough County
Tampa, Florida

Compliance

We have audited the compliance of the Children's Board of Hillsborough County (the Children's Board) with the types of compliance requirements described in the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its state financial assistance projects for the year ended September 30, 2008. The Children's Board's major state financial assistance projects 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 state financial assistance projects is the responsibility of the Children's Board's management. Our responsibility is to express an opinion on the Children's Board'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; Chapter 10.550, Rules of the Auditor General. Those standards, Chapter 10.550, Rules of the Auditor General, 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 state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Children's Board'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 on the Children's Board's compliance with those requirements.

(Continued)

In our opinion, the Children's Board's complied, in all material respects, with the requirements referred to above that are applicable to its major state financial assistance projects for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Children's Board's is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Children's Board's internal control over compliance with requirements that could have a direct and material effect on a major state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General.

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 state financial assistance project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state financial assistance 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 remote likelihood that material noncompliance with a type of compliance requirement of a state financial assistance project 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 the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we would consider to be material weaknesses, as defined above.

(Continued)

This report is intended solely for the information and use of management, the Board of Directors, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Our 2008 audit was conducted for the purpose of forming an opinion on the basic financial statements of Children's Board of Hillsborough County taken as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by *Chapter 10.550, Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Crowe Horwath LLP

February 16, 2009
Tampa, Florida

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 Year ended September 30, 2008

| <u>Federal Program Title</u> | <u>Federal/ State CSFA</u> | <u>Term</u> | <u>Federal/ State Expenditures</u> | <u>Passed Through to Subrecipients</u> |
|---|------------------------------------|-------------------------|--|--|
| <u>Direct Federal Awards:</u> | | | | |
| U.S. Department of Health and Human Services | | Oct 2007 - | | |
| FosterCare _ Title IV-E | 93.658 | Sept 2008 | \$ 52,395 | \$ - |
| <u>Indirect Programs:</u> | | | | |
| Passed through the U.S. Department of Health and Human Services | | | | |
| Substance Abuse and Mental Health Services Administration | | | | |
| Block Grants for Community | | | | |
| Mental Health Services | 93.958 | Oct-07 Sep-08 | <u>176,407</u> | <u>176,407</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 228,802</u> | <u>\$ 176,407</u> |
| <u>State Program Title</u> | | | | |
| <u>Indirect Programs:</u> | | | | |
| Passed through the Department of Children and Families | | | | |
| Children's Mental Health | | | | |
| Community Support Services | | Oct 2007 - | | |
| Mental Health Services | 60.055 | Sept 2008 | \$ 176,407 | \$ 176,407 |
| Out of Home Support-HKI | | | | |
| Family Safety Program | 60.074 | Oct 2007 - Sept 2008 | <u>344,584</u> | <u>344,584</u> |
| Total Expenditures of State Projects | | | <u>\$ 520,991</u> | <u>\$ 520,991</u> |

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
Year ended September 30, 2008

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state award activity of the Children's Board of Hillsborough County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

There were no non-cash awards in the current year.

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?
Reported X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal Control over major programs:

Material weakness identified? _____ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?
Reported _____ Yes X No

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .215.97 of
Chapter 10.550 Rules of the Auditor General? _____ Yes X No

Identification of major programs:

| <u>CSFA Number(s)</u> | <u>Name of State Program</u> |
|-----------------------|--|
| 60.74 | Department of Children and Families; Out of Home Support, Family Safety Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?
(Not Applicable for State Single Audit) n/a Yes n/a No

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 September 30, 2008

Section II - Financial Statement Findings

| | |
|------------------------|---|
| <u>Finding # 08-01</u> | <u>Monitoring of Contract Providers</u> |
| Criteria: | There should be consistent monitoring of activities of providers, identification of provider audit findings that may have an impact on funding, resolution of those audit findings, quantification of the impact of provider non compliance on a timely basis with corrective follow up implementation plans. |
| Condition: | Of the nine selected contract providers we selected for testing, we identified two instances in which the provider had not timely submitted to the Organization their annual audited financials statements. |
| Effect: | Provider noncompliance may not be detected and corrected on a timely basis and the risk or fraud could be increased. |
| Cause: | Monitoring procedures were not consistently followed during the fiscal year to ensure all required contract requirements were being met timely by the providers. |
| Recommendation: | The Organization should consistently follow the adopted monitoring policies and procedures and enhance policies regarding fixed contract providers to insure timely compliance. |
| Management Response: | <p><i>The audits have not been completed In the two instances that the agencies had not submitted their annual audit documents but those agencies had not asked for an extension. A system to track provider compliance with our contract requirements as located in our General Terms and Conditions in all Children's Board provider agreements will be set up in our cscForce web-based application. This tracking system will give evidence of a provider's timeliness of reporting, accuracy of data, and overall performance within the scope of their contract agreement with the Children's Board.</i></p> <p><i>An operating procedure will be developed regarding contract monitoring with our provider agencies. Specific consequences will be determined regarding non-compliance by provider agencies as based on frequency of compliance issues and adherence to corrective action steps.</i></p> |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 September 30, 2008

| | |
|------------------------|---|
| <u>Finding # 08-02</u> | <u>Accounting for Investment in SBA Local Government Surplus Funds Trust Investment Pool Fund B</u> |
| Criteria: | As an LGIP Fund B participant the Organization invests in pools of investments whereby the entity owns a share of the respective pool, not the underlying securities. GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." applies to the LGIP. Following the provisions of GASB 31, Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2008 was .798385. The Organization's account balance in Fund B would be multiplied by the factor in order to calculate the fair value of the Organization's investment in Fund B and an unrealized loss should be recorded. |
| Condition: | The Organization had recorded their investment in Fund B as a cash equivalent, valued at cost. The Organization's interpretation of the memo from the SBA dated October 10, 2008, applicable for financial statements ending September 30, 2008, was that the fair value and unrealized loss would be a disclosure item only. |
| Effect: | Assets were overstated by approximately \$145,000. |
| Recommendation: | The SBA has provided two guidance memos to the Pool participants on the fund valuation and required disclosures. The Organization should record all significant adjustments in accordance with generally accepted accounting principles in accordance with GASB 31 and make all required disclosures following the guidance in the memos provided by the SBA. The Organization should continue to monitor these communications and follow this guidance. |
| Management Response: | <i>The fair value adjustment was reflected in the financial statements for year ending September 30, 2008. Each year, as the guidance memos are received from the SBA, the Organization will adjust the asset balance to reflect the ending NAV as so stated.</i> |

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

Section III - State Financial Assistance Findings

There were no findings for the year ended September 30, 2008.

(Continued)

CHILDREN'S BOARD OF HILLSBOROUGH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

Section IV - Prior Year Findings and Questioned Costs

There were no findings for the year ended September 30, 2007.



Crowe Horwath LLP
Member Horwath International

Board of Directors
Children's Board of Hillsborough County
Tampa, Florida

We have audited the financial statements of the Children's Board of Hillsborough County (the Children's Board) as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 16, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Auditors on Compliance and Internal Control Over Financial Reporting, Report of Independent Auditors on Compliance and Internal Control over Compliance Applicable to each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 16, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., 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, we determined the Children's Board complied with Section 218.415, Florida Statutes.

(Continued)

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, see the Schedule of Findings and Questioned Costs.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that auditor may, based on professional judgment, report the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, see the Schedule of Findings and Questioned Costs.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Children's Board of Hillsborough County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Children's Board for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

(Continued)

Board of Directors
Children's Board of Hillsborough County

- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This letter is intended solely for the information and use of Children's Board's management, and the State of Florida Office of the Auditor General, and is not intended to be used by anyone other than these specified parties.

We would like to take this opportunity to thank the Children's Board for the many courtesies and cooperation extended to our representatives during the course of our audit.


Crowe Horwath LLP

February 16, 2009
Tampa, Florida