

ANNUAL FINANCIAL REPORT

Alachua County District School Board

For the Year Ended June 30, 2007

With Report of Independent Certified Public Accountants

Alachua County District School Board

Annual Financial Report

For the Year Ended June 30, 2007

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Financial Section

Report of Independent Certified Public Accountants

Members of the Board
Alachua County District School Board

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Charter Schools or the Alachua County Public Schools Foundation, which comprise the discretely presented component units of the District. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. We were not engaged to perform an audit of the District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 48 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

As discussed in Note 1, fund balance was restated at June 30, 2006.

Ernst & Young LLP

January 25, 2008

Alachua County District School Board
Management's Discussion and Analysis

September 30, 2007

The Management of the Alachua County District School Board has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

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

- The District's total net assets increased by \$14.3 million, or 20 percent.
- General revenues total \$251.5 million, or 87 percent of all revenues in the 2007 fiscal year, as compared to \$227.0 million, or 90 percent for the 2006 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$37.5 million, or 13 percent as compared to \$25.8 million, or 10 percent in the prior year.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$14.1 million at June 30, 2007, or 7 percent of General Fund expenditures as compared to \$10 million, or 5 percent at June 30, 2006.
- During the current year, General Fund revenues exceeded expenditures by \$734,266. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$1.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Alachua County District School Board

Management's Discussion and Analysis (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the state's education finance program provide most of the resources that support these activities.
- Component units – The District presents 15 separate legal entities as discretely presented component units, including 14 charter schools and one foundation. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units are reported separately from the financial information presented for the primary government.
- The Alachua County School Board Leasing Corporation, (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the Board and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund

Alachua County District School Board

Management's Discussion and Analysis (continued)

financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories discussed below.

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

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

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

The district adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses private-purpose trust funds to account for the District's early retirement program and the J. Dale Haynie Trust. The district uses agency funds to account for resources held for student activities and groups and for a career service award program.

Notes to Financial Statements

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

Alachua County District School Board
Management's Discussion and Analysis (continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2007, compared to net assets as of June 30, 2006:

Net Assets, End of Year

	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	\$ 73,192,010	\$ 69,736,358
Capital Assets	160,119,917	161,964,535
Total Assets	233,311,927	231,700,893
Long-Term Liabilities	137,699,207	148,810,225
Other Liabilities	8,922,454	10,515,244
Total Liabilities	146,621,661	159,325,469
Net Assets:		
Invested in Capital Assets –		
Net of Debt	56,320,565	55,011,587
Restricted	30,343,159	24,650,859
Unrestricted (Deficit)	26,542	(7,287,022)
Total Net Assets	\$ 86,690,266	\$ 72,375,424

The largest portion of the District's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, furniture, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (35 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the government's ongoing obligations to students, employees, and creditors.

Alachua County District School Board

Management's Discussion and Analysis (continued)

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2007, and June 30, 2006, are as follows:

	Governmental Activities	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	\$ 7,830,835	\$ 7,371,908
Operating Grants and Contributions	13,818,862	13,622,124
Capital Grants and Contributions	15,858,579	4,838,195
General Revenues:		
Property Taxes, Levied for Operational Purposes	63,972,915	56,794,620
Property Taxes, Levied for Debt Service	8,353,975	8,548,193
Property Taxes, Levied for Capital Projects	21,944,655	18,571,979
Grants and Contributions Not Restricted to Specific Programs	150,784,788	136,731,020
Unrestricted Investment Earnings	3,947,194	3,848,035
Miscellaneous	2,537,904	2,583,978
Total Revenues	289,049,707	252,910,052
Functions/Program Expenses:		
Instruction	124,906,983	113,736,565
Pupil Personnel Services	14,873,116	14,390,676
Instructional Media Services	4,966,264	4,424,025
Instruction and Curriculum Development Services	10,674,228	10,191,349
Instructional Staff Training	4,545,818	4,037,054
Instruction Related Technology	2,776,210	2,658,259
Board of Education	619,110	636,666
General Administration	1,253,500	1,112,689
School Administration	12,592,181	11,420,298
Facilities Acquisition and Construction	12,728,692	9,406,740
Fiscal Services	1,434,080	1,287,272
Food Services	11,472,771	11,460,932
Central Services	3,113,655	2,748,803
Pupil Transportation Services	12,077,441	11,805,809
Operation of Plant	22,637,738	20,500,337
Maintenance of Plant	4,815,645	4,272,078
Administrative Technology Services	1,178,179	1,035,091
Community Services	3,192,083	2,984,558
Interest on Long-Term Debt	5,598,914	5,326,804
Unallocated Depreciation Expenses	19,278,259	19,382,754
Total Functions/Program Expenses	274,734,865	252,818,759
Change in Net Assets	\$ 14,314,842	\$ 91,293

Alachua County District School Board

Management's Discussion and Analysis (continued)

State revenues increased by \$26.5 million or 21 percent, primarily due to an increase in Class Size Reduction funding received for both operating and capital outlay purposes.

The largest revenue source is the State of Florida (52 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Other State revenues are primarily for acquisition, construction, and maintenance of educational facilities. These revenues increased by \$11.6 million, or 357 percent, from the previous year due mainly to the receipt of funds earmarked for class size reduction.

Instructional expenses represent 59 percent of total governmental expenses in the 2006-07 fiscal years. Instructional expenses increased by \$13.3 million, or 9 percent, from the previous year due mainly to a 10 percent across-the-board pay raise, employment of additional instructional staff related to class size reduction and the new pre-K program, and an increase in the District's required contributions to the Florida Retirement System.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$14.1 million, while the total fund balance is \$22.7 million. The unreserved fund balance increased by \$4.1 million, while the total fund balance increased by \$5.4 million during the fiscal year. Key factors in this growth are as follows:

- An increase in the local property tax rate coupled with increased property values increased tax revenues by \$7 million.
- Total expenditures increased by \$20.9 million, or 11 percent, due mainly to a 10 percent across-the-board pay increase, employment of additional staff, and an increase in required contributions to the Florida Retirement System.
- Factors affecting total fund balance also include an increase of \$401,877 in the unexpended balance of State categorical program revenues which are required to be carried forward to the following year to be expended for specific categorical educational programs.

The Other Federal Programs – Other Federal Programs accounts for the financial resources of certain Federal grant programs.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$9.9 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased in the current year due to the additional Class Size Reduction funds received from the State.

Alachua County District School Board

Management's Discussion and Analysis (continued)

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$10.3 million, of which \$4.3 million is reserved for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of renovations of various facilities and the purchases of buses.

The Capital Projects – Other Fund has a total fund balance of \$13.6, of which \$5.6 million is reserved for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of various facilities listed in our Certificate of Participation agreements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the 2007 fiscal year shows a \$21.8 million increase in revenue. The increase is for Class Size Reduction funds that were not recorded in the original budget for the 2006 fiscal year. The funds were added through a budget amendment.

Over the course of the year, the District revises its budget and brings amendments to the Board when needed. These amendments are needed to adjust to actual revenues received and direct resources where needed. The Board approves the final amendment to the budget after year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$160.1 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and computer software.

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

- Construction in progress at June 30, 2007, includes various classroom additions and multi-purpose buildings.
- The District purchased the Diamond Sports Park for \$2.6 million, to be used for a future school site.

Additional information on the District's capital assets can be found in the Notes to Financial Statements section.

Alachua County District School Board

Management's Discussion and Analysis (continued)

Long-Term Debt

At June 30, 2007, the District has total long-term debt outstanding of \$117.5 million. This amount is comprised of \$40,644 of capital leases, \$38.7 million of bonds payable, and \$78.8 million of certificates of participations payable. During the year, retirement of debt amounted to \$10.6 million.

Additional information on the District's long-term debt can be found in the Notes to the Financial Statements section.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Alachua County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Scott Ward, Chief Financial Officer, Alachua County Public Schools, 620 East University Avenue, Gainesville, Florida 32601.

Government-Wide Financial Statements

Alachua County District School Board
Statement of Net Assets
June 30, 2007

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 1,078,814.88	\$ 2,934,056.94
Investments	57,246,678.87	1,236,417.00
Accounts Receivable, Net	65,566.51	85,796.00
Deposits Receivable	—	22,765.07
Due from Other Agencies	12,774,168.08	161,407.13
Internal Balances	126,601.89	—
Inventory	1,895,869.56	—
Prepaid Items	4,310.12	47,244.70
Restricted Assets:		
Cash with Fiscal Agent	—	1,037,868.00
Capital Assets:		
Land	5,663,696.69	124,632.00
Land Improvements – Nondepreciable	—	127,403.00
Construction in Progress	3,916,417.78	6,327.00
Improvements Other Than Buildings	27,489,287.99	674,872.28
Less Accumulated Depreciation	(14,521,054.44)	(208,991.03)
Buildings and Fixed Equipment	303,163,415.79	1,579,227.00
Less Accumulated Depreciation	(173,413,105.92)	(248,122.00)
Furniture, Fixtures and Equipment	25,458,112.51	1,174,086.66
Less Accumulated Depreciation	(17,636,853.29)	(695,941.21)
Motor Vehicles	16,782,736.71	22,681.00
Less Accumulated Depreciation	(16,782,736.71)	(22,681.00)
Property Under Capital Leases	3,580,564.00	296,433.00
Less Accumulated Depreciation	(3,580,564.00)	(41,585.00)
Computer Software	6,021,904.42	—
Less Accumulated Amortization	(6,021,904.42)	—
Total Assets	233,311,927.02	8,313,896.54
LIABILITIES		
Salaries and Wages Payable	187,572.28	33,283.00
Payroll Deductions and Withholdings	5,648,711.88	24,108.55
Accounts Payable	1,579,475.88	88,121.74
Construction Contracts Payable	1,388,895.79	—
Due to Fiscal Agent	—	—
Deposits Payable	—	36,442.00
Due to Other Agencies	117,797.67	117,814.00
Deferred Revenue	67,344.89	314.00
Noncurrent Liabilities:		
Portion Due Within One Year:		
Notes Payable	—	20,377.00
Bonds Payable	7,780,000.00	—
Obligations Under Capital Leases	40,644.28	56,871.00
Liability for Compensated Absences	1,238,413.57	2,400.00
Certificates of Participation Payable	2,775,000.00	—
Portion Due After One Year:		
Notes Payable	—	407,273.00
Bonds Payable	30,880,000.00	—
Obligations Under Capital Leases	—	156,671.00
Liability for Compensated Absences	18,931,804.48	3,831.00
Certificates of Participation Payable	75,986,000.00	—
Total Liabilities	146,621,660.72	947,506.29
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	56,320,564.69	2,144,766.67
Restricted For:		
Categorical Carryover Programs	10,274,833.58	92.00
Debt Service	4,921,276.00	—
Capital Projects	11,641,283.03	531,616.73
Other Purposes	3,505,766.96	2,129,994.00
Unrestricted	26,542.04	2,559,920.85
Total Net Assets	\$ 86,690,266.30	\$ 7,366,390.25

See accompanying notes.

Alachua County District School Board
Statement of Activities
For Fiscal Year Ended June 30, 2007

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 124,906,983.26	\$ 3,165,739.12	\$ —	\$ —
Pupil Personnel Services	14,873,116.21	—	—	—
Instructional Media Services	4,966,263.66	—	—	—
Instruction and Curriculum Development Services	10,674,227.83	—	—	—
Instructional Staff Training Services	4,545,818.07	—	—	—
Instruction Related Technology	2,776,210.28	—	—	—
School Board	619,109.99	—	—	—
General Administration	1,253,499.70	—	—	—
School Administration	12,592,181.14	—	—	—
Facilities Acquisition and Construction	12,728,692.09	—	—	11,635,144.92
Fiscal Services	1,434,079.61	—	—	—
Food Services	11,472,771.05	4,445,768.55	7,066,112.48	—
Central Services	3,113,655.19	—	—	—
Pupil Transportation	12,077,441.36	219,327.51	6,752,749.00	—
Operation of Plant	22,637,738.15	—	—	—
Maintenance of Plant	4,815,644.57	—	—	3,354,304.00
Administrative Technology Services	1,178,178.50	—	—	—
Community Services	3,192,082.61	—	—	—
Interest on Long-term Debt	5,598,913.56	—	—	869,130.46
Unallocated Depreciation/Amortization Expense*	19,278,258.62	—	—	—
Total Primary Government	\$ 274,734,865.45	\$ 7,830,835.18	\$ 13,818,861.48	\$ 15,858,579.38
Component Units:				
Charter Schools/Foundation	\$ 9,552,395.75	\$ 209,118.00	\$ 98,113.00	\$ 978,118.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets – July 1, 2006 as previously reported

Restatement

Net Assets – July 1, 2006 restated

Net Assets – June 30, 2007

*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

See accompanying notes.

**Net (Expense) Revenue
and Changes in Net Assets**

Primary Government	
Governmental Activities	Component Units
\$ (121,741,244.14)	\$ —
(14,873,116.21)	—
(4,966,263.66)	—
(10,674,227.83)	—
(4,545,818.07)	—
(2,776,210.28)	—
(619,109.99)	—
(1,253,499.70)	—
(12,592,181.14)	—
(1,093,547.17)	—
(1,434,079.61)	—
39,109.98	—
(3,113,655.19)	—
(5,105,364.85)	—
(22,637,738.15)	—
(1,461,340.57)	—
(1,178,178.50)	—
(3,192,082.61)	—
(4,729,783.10)	—
(19,278,258.62)	—
<u>\$ (237,226,589.41)</u>	<u>\$ —</u>
<u>\$ —</u>	<u>\$ (8,267,046.75)</u>
\$ 63,972,915.32	\$ —
8,353,974.97	—
21,944,654.84	—
150,784,788.07	9,654,851.50
3,947,194.26	172,115.00
2,537,904.12	5,244.43
<u>251,541,431.58</u>	<u>9,832,210.93</u>
14,314,842.17	1,565,164.18
73,035,506.25	5,801,226.07
(660,082.12)	—
<u>72,375,424.13</u>	<u>5,801,226.07</u>
<u>\$ 86,690,266.30</u>	<u>\$ 13,167,616.32</u>

Fund Financial Statements

Alachua County District School Board
Balance Sheet
Governmental Funds
June 30, 2007

	General 100	Other Federal Programs 420	Public Education Capital Outlay (PECO) 340
ASSETS			
Cash and Cash Equivalents	\$ 849,036.59	\$ —	\$ 29,121.72
Investments	24,333,782.54	0.01	774,933.23
Accounts Receivable, Net	—	—	—
Due From Other Funds:			
Budgetary Funds	1,929,723.56	—	—
Internal Funds	11,745.74	—	—
Due from Other Agencies	886,655.73	1,111,864.98	9,828,179.00
Inventory	1,257,019.94	—	—
Prepaid Items	3,519.35	790.77	—
Total Assets	<u>\$ 29,271,483.45</u>	<u>\$ 1,112,655.76</u>	<u>\$ 10,632,233.95</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Salaries, Benefits and Payroll Taxes Payable	\$ 185,783.31	\$ 1,788.97	\$ —
Payroll Deductions and Withholdings	5,497,091.43	118,787.09	—
Accounts Payable	682,028.08	640,404.53	18,887.00
Construction Contracts Payable	—	—	307,038.99
Construction Contracts Payable-Retained Percentage	—	—	287,487.75
Due to Other Agencies	—	115,129.50	—
Due to Other Funds:			
Budgetary Funds	200,000.00	236,545.67	143,941.07
Deferred Revenue	—	—	—
Total Liabilities	<u>6,564,902.82</u>	<u>1,112,655.76</u>	<u>757,354.81</u>
FUND BALANCES			
Reserved for:			
State Required Carryover Programs	1,651,924.70	—	8,622,908.88
Encumbrances	2,144,898.10	—	1,245,101.85
Inventory	1,257,019.94	—	—
Other Purposes	3,505,766.95	—	—
Unreserved, Reported in:			
General Fund	14,146,970.94	—	—
Special Revenue Funds	—	—	—
Debt Service Funds	—	—	—
Capital Projects Funds	—	—	6,868.41
Permanent Funds	—	—	—
Total Fund Balances	<u>22,706,580.63</u>	<u>—</u>	<u>9,874,879.14</u>
Total Liabilities and Fund Balances	<u>\$ 29,271,483.45</u>	<u>\$ 1,112,655.76</u>	<u>\$ 10,632,233.95</u>

See accompanying notes.

Capital Improvement Section 1011.71(2) F.S. 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
\$ 54,041.57	\$ 6,623.39	\$ 139,991.61	\$ 1,078,814.88
10,666,465.08	15,308,962.11	6,162,535.90	57,246,678.87
—	—	65,566.51	65,566.51
—	—	—	1,929,723.56
—	—	—	11,745.74
28,806.91	—	918,661.46	12,774,168.08
—	—	638,849.62	1,895,869.56
—	—	—	4,310.12
\$ 10,749,313.56	\$ 15,315,585.50	\$ 7,925,605.10	\$ 75,006,877.32
\$ —	\$ —	\$ —	\$ 187,572.28
—	—	32,833.36	5,648,711.88
175,908.23	14,942.94	47,305.10	1,579,475.88
—	20,769.95	—	327,808.94
187,466.96	586,132.14	—	1,061,086.85
—	—	2,668.17	117,797.67
129,634.78	1,104,745.89	—	1,814,867.41
—	—	67,344.89	67,344.89
493,009.97	1,726,590.92	150,151.52	10,804,665.80
—	—	—	10,274,833.58
4,245,668.67	5,550,027.10	204,212.08	13,389,907.80
—	—	638,849.62	1,895,869.56
—	—	—	3,505,766.95
—	—	—	14,146,970.94
—	—	1,720,999.24	1,720,999.24
—	—	4,921,276.00	4,921,276.00
6,010,634.92	8,038,967.48	290,116.64	14,346,587.45
—	—	—	—
10,256,303.59	13,588,994.58	7,775,453.58	64,202,211.52
\$ 10,749,313.56	\$ 15,315,585.50	\$ 7,925,605.10	\$ 75,006,877.32

**Alachua County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2007**

Total Fund Balances – Governmental Funds

\$ 64,202,211.52

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

160,119,917.11

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(137,631,862.33)

Total Net Assets – Governmental Activities

\$ 86,690,266.30

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

Alachua County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2007

	General 100	Other Federal Programs 420	Public Education Capital Outlay (PECO) 340
REVENUES			
Federal Direct	\$ 156,753.38	\$ 3,031,434.80	\$ —
Federal Through State and Local	994,592.06	19,111,254.34	—
State Sources	133,684,336.68	—	14,790,310.00
Local Sources	71,525,389.12	—	26,537.86
Total Revenues	<u>206,361,071.24</u>	<u>22,142,689.14</u>	<u>14,816,847.86</u>
EXPENDITURES			
Current:			
Instruction	114,605,467.84	10,628,026.89	—
Pupil Personnel Services	12,425,230.59	2,489,136.81	—
Instructional Media Services	4,970,751.21	9,095.14	—
Instruction and Curriculum Development Services	6,465,271.80	4,240,453.84	—
Instructional Staff Training Services	1,960,891.26	2,594,026.92	—
Instruction Related Technology	2,727,377.64	55,640.49	—
School Board	619,803.18	—	—
General Administration	885,649.18	369,962.05	—
School Administration	12,582,953.83	47,983.33	—
Facilities Acquisition and Construction	744,669.99	6,715.00	—
Fiscal Services	1,417,054.87	21,200.00	—
Food Services	—	—	—
Central Services	3,021,162.57	100,657.40	—
Pupil Transportation Services	10,259,166.79	225,956.08	—
Operation of Plant	22,555,555.30	104,869.15	—
Maintenance of Plant	4,812,240.33	15,384.78	—
Administrative Technology Services	1,181,564.04	—	—
Community Services	3,200,893.56	—	—
Debt Service:			
Retirement of Principal	—	—	—
Interest	—	—	—
Dues, Fees and Issuance Costs	—	—	—
Capital Outlay:			
Facilities Acquisition and Construction	113,627.56	117,192.81	3,810,472.92
Other Capital Outlay	1,077,473.32	1,116,388.45	168,924.34
Total Expenditures	<u>205,626,804.86</u>	<u>22,142,689.14</u>	<u>3,979,397.26</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>734,266.38</u>	<u>—</u>	<u>10,837,450.60</u>
OTHER FINANCING SOURCES (USES)			
Loss Recoveries	9,895.25	—	—
Transfers In	4,723,225.00	—	—
Transfers Out	(86,655.33)	—	(3,354,304.00)
Total Other Financing Sources (Uses)	<u>4,646,464.92</u>	<u>—</u>	<u>(3,354,304.00)</u>
Net Change in Fund Balances	5,380,731.30	—	7,483,146.60
Fund Balances, July 1, 2006	17,314,243.09	—	2,391,732.54
Adjustment to Fund Balances	11,606.24	—	—
Fund Balances, June 30, 2007	<u>\$ 22,706,580.63</u>	<u>\$ —</u>	<u>\$ 9,874,879.14</u>

See accompanying notes.

Capital Improvement Section 1011.71(2) F.S. 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
-	-	-	3,188,188.18
-	-	6,851,918.66	26,957,765.06
-	553,392.81	1,288,236.20	150,316,275.69
22,699,884.21	1,092,933.65	13,232,838.60	108,577,583.44
22,699,884.21	1,646,326.46	21,372,993.46	289,039,812.37
-	-	-	125,233,494.73
-	-	-	14,914,367.40
-	-	-	4,979,846.35
-	-	-	10,705,725.64
-	-	-	4,554,918.18
-	-	-	2,783,018.13
-	-	-	619,803.18
-	-	-	1,255,611.23
-	-	-	12,630,937.16
-	-	-	751,384.99
-	-	-	1,438,254.87
-	-	11,490,024.46	11,490,024.46
-	-	-	3,121,819.97
-	-	-	10,485,122.87
-	-	-	22,660,424.45
-	-	-	4,827,625.11
-	-	-	1,181,564.04
-	-	-	3,200,893.56
3,132,891.41	-	7,475,000.00	10,607,891.41
3,505,990.68	-	1,809,290.00	5,315,280.68
29,213.75	-	254,418.72	283,632.47
13,314,750.57	8,274,104.91	117,012.03	25,747,160.80
1,597,034.40	1,296,298.30	23,690.00	5,279,808.81
21,579,880.81	9,570,403.21	21,169,435.21	284,068,610.49
1,120,003.40	(7,924,076.75)	203,558.25	4,971,201.88
-	-	-	9,895.25
-	200,000.00	918,244.98	5,841,469.98
(2,200,510.65)	-	(200,000.00)	(5,841,469.98)
(2,200,510.65)	200,000.00	718,244.98	9,895.25
(1,080,507.25)	(7,724,076.75)	921,803.23	4,981,097.13
11,336,810.84	21,313,071.33	7,525,338.71	59,881,196.51
-	-	(671,688.36)	(660,082.12)
\$ 10,256,303.59	\$ 13,588,994.58	\$ 7,775,453.58	\$ 64,202,211.52

Alachua County District School Board
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances – Governmental Funds to the
Statement of Activities
June 30, 2007

Net Change in Fund Balances – Governmental Funds

\$ 4,981,097.13

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (1,844,617.92)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period. 10,607,891.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave paid in excess of the amount earned in the current period. 570,471.96

Change in Net Assets of Governmental Activities

\$ 14,314,842.17

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

Alachua County District School Board
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Total Private-Purpose Trust Funds	Total Pension Trust Funds	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,109.53	\$ —	\$ 2,745,431.26
Investments	467,365.50	3,440,047.76	—
Accounts Receivable, Net	—	—	100,837.00
Inventory	—	—	24,298.00
Due from Other Agencies	—	—	—
Total Assets	<u>468,475.03</u>	<u>3,440,047.76</u>	<u>2,870,566.26</u>
LIABILITIES			
Accounts Payable	—	—	58,775.00
Due to Other Funds-Budgetary	—	114,856.15	11,746.26
Internal Accounts Payable	—	—	2,800,045.00
Total Liabilities	<u>—</u>	<u>114,856.15</u>	<u>2,870,566.26</u>
NET ASSETS			
Assets Held in Trust for Pension Benefits	—	3,325,191.61	—
Assets Held in Trust for Scholarships and Other Purposes	468,475.03	—	—
Total Net Assets	<u>\$ 468,475.03</u>	<u>\$ 3,325,191.61</u>	<u>\$ —</u>

See accompanying notes.

Alachua County District School Board
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For Fiscal Year Ended June 30, 2007

	Total Private-Purpose Trust Funds	Total Pension Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ —	\$ 465,528.23
Gifts, Grants and Bequests	168.97	—
Investment Earnings:		
Interest	26,564.07	62,456.55
Gain on Sale of Investments	—	158,183.83
Net Increase in the Fair Value of Investments	—	171,920.25
Net Investment Earnings	<u>26,564.07</u>	<u>392,560.63</u>
Total Additions	<u>26,733.04</u>	<u>858,088.86</u>
DEDUCTIONS		
Employee Benefits	—	570,416.53
Purchased Services	7,692.23	8,996.00
Other Expenses	<u>38,072.80</u>	<u>—</u>
Total Deductions	<u>45,765.03</u>	<u>579,412.53</u>
Change In Net Assets	(19,031.99)	278,676.33
Net Assets – July 1, 2006	<u>487,507.02</u>	<u>3,046,515.28</u>
Net Assets – June 30, 2007	<u>\$ 468,475.03</u>	<u>\$ 3,325,191.61</u>

See accompanying notes.

Alachua County District School Board

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

- Blended Component Unit. The Alachua County School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Alachua County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- Discretely Presented Component Units. The component unit columns in the basic financial statements, Exhibit B, include the financial data of the Alachua County Public Schools Foundation, Inc., and 14 charter schools: Alachua Learning Center, Inc.; Caring and Sharing Learning School, Inc.; Desoto High School, Inc.; Einstein Montessori School, Inc.; Expressions Learning Arts Academy, Inc.; Florida School for Integrated Academics and Technology, Inc.; Genesis Preparatory School, Inc.; Healthy Learning Academy, Inc.; Hoggetowne Middle School, Inc.; Love to Learn Educational Center, Inc.; Martin Luther King Academy, Inc.; Micanopy Area Charter Schools, Inc.; Micanopy Middle School, Inc.; and One Room School House Project, Inc.
- The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, *Florida Statutes*, the Florida Not For Profit Corporation Act, and Section 1002.33, *Florida Statutes*. The charter schools operate under charters approved by their sponsor, the Alachua County District School Board.
- The Foundation is a separate, not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, *Florida Statutes*, and was formed to provide charitable and educational aid to the School Board, to promote education, and to encourage research, learning, and dissemination of information.

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- The financial data reported on the accompanying financial statements was derived from the audit reports of the charter schools and the Alachua County Public Schools Foundation, Inc., which are available at the District's administrative office for the fiscal year ended June 30, 2007.

Basis of Presentation

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses associated with the District's transportation department are allocated to the pupil transportation services function, while remaining depreciation expenses not readily associated with a particular function are reported as unallocated.

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

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

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

The District reports the following major governmental funds:

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

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the Legislative appropriation of gross receipts taxes for the District. These funds are to be used for educational capital outlay needs, including new construction, remodeling, renovation, maintenance, repairs, and site improvements.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including: construction, remodeling, and addition projects; district-wide maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment purchases; payments for educational facilities and sites due under lease-purchase agreements (COPS); payments for renting and leasing education facilities and sites; payments of loans approved pursuant to Sections 1011.14 and 1011.15, *Florida Statutes*; and payment of the cost of leasing relocatable educational facilities.
- Capital Projects – Other Fund – to account for the financial resources primarily generated by the issuance of certificates of participation to be used for educational outlay needs, including new construction, renovation and remodeling projects and computer equipment.

Additionally, the District reports the following fiduciary fund types:

- Pension Trust Fund – to account resources used to finance the early retirement program.
- Private-Purpose Trust Fund – to account for resources of the J. Dale Haynie Trust Fund.
- Agency Funds – to account for resources of the career services award program and the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

Basis of Accounting

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

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

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The Alachua County Public Schools Foundation, Inc., shown as a discretely presented component unit, is accounted for as a not-for-profit organization and follows the same accounting model as the District's governmental activities.

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

Prior year fund balance was restated due to an overstatement of revenue related to interest earnings on bonds at June 30, 2006.

Deposits and Investments

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

Investments consist of amounts placed in the State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, *Florida Statutes*, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, *Florida Statutes*. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

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

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. The central stores, transportation, maintenance, and the food service nonfood inventories are valued at cost on the moving-average basis. The purchased food inventories are valued at final year-end contract price, which approximates cost on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Capital Assets

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

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

Capital assets are depreciated using the composite method, except for assets under capital lease which are depreciated under the straight-line method over the shorter of the lease term or the asset's useful life.

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	9 - 37 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 12 years
Assets Under Capital Lease	10 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	4 - 5 years

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

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Long-Term Liabilities

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

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

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

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

State Revenue Sources

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

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay as deferred revenue until such time as an encumbrance authorization is received.

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

District Property Taxes

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

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

The School Board adopted the 2006 tax levy on September 5, 2006. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Alachua County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

Alachua County District School Board
Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Federal Revenue Sources

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

2. Budgetary Compliance and Accountability

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

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

Alachua County District School Board
Notes to Financial Statements (continued)

3. Investments

As of June 30, 2007, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Funds Investment Pool	27 Day Average	\$ 38,532,296.93
Evergreen Institutional Treasury Money Market Fund	30 Day Average (1)	18,520,824.02
State Board of Administration Debt Service Accounts	6 Months	193,557.92
		<u>57,246,678.87</u>
Fiduciary Funds:		
State Board of Administration Local Government Surplus Funds Trust Funds Investment Pool	27 Day Average	467,365.50
USB Global - RMA Money Market Portfolio	Less Than 3 Months	198,119.86
USB Global - SMA Relationship Trust Mutual Fund	3.61 Years	830,871.60
USB Global - Equities		1,835,029.66
USB Global - United States Government Securities	May 2008 - May 2030	576,026.64
Total Fiduciary Funds		<u>3,907,413.26</u>
Total Investments, Reporting Entity		<u>\$ 61,154,092.13</u>

Note: (1) These funds are held under a trust agreement in connection with the Certificates of Participation, Series 1997, 1997A, 1998, 2001, 2001-QZAB, 2004, 2005, and 2005-QZAB, financing arrangements. (See Note 7.) Money market funds include amounts invested in securities that are issued or guaranteed as to payment of principal and interest by the United States Government.

Interest Rate Risk

Section 218.415(17), *Florida Statutes*, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Alachua County District School Board
Notes to Financial Statements (continued)

3. Investments (continued)

Credit Risk

Section 218.415(17), *Florida Statutes*, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, *Florida Statutes*. The District does not have a formal investment policy that limits its investment choices.

As of June 30, 2007, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.

The District's investment in the Evergreen Institutional Treasury Money Market Fund were rated Aaa by Moody's Investor Services. Investments in the USB Global – RMA Money Market Fund were rated AAA, and investments in USB Global – SMA Relationship Trust Mutual Fund were rated AA1 by Moody's Investor Services.

Custodial Credit Risk

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

Of the District's \$1,835,029.66 investment in equities, all are held by the investment's counterparty, not in the name of the District.

Of the District's \$576,026.64 investment in United States Government Securities, all are held by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk

Section 218.415(8), *Florida Statutes*, requires the District to diversify investments to the extent practicable to control risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

Alachua County District School Board
Notes to Financial Statements (continued)

3. Investments (continued)

The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

See Note 16 for concentrations of investments in the District's early retirement program, reported in the Pension Trust Fund.

Foreign Currency Risk

The District does not have a formal policy that limits its investment in foreign currency.

4. Receivables

Due from Other Agencies in the Capital Projects – Public Education Capital Outlay Fund includes \$1,689,243 due from the State for Classrooms for Kids proceeds; \$302,277 for Public Education Capital Outlay projects; and \$7,836,659 for Class Size Reduction. These receivables are for long-term capital projects and may not be entirely collected within one year.

Management has determined that all receivables are considered fully collectable and therefore no allowance for uncollectible accounts has been recognized.

Alachua County District School Board
Notes to Financial Statements (continued)

5. Changes in Capital Assets

Changes in capital assets are presented in the table below.

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,035,974.25	\$ 2,627,722.44	\$ —	\$ 5,663,696.69
Construction in Progress	3,131,224.30	12,117,790.83	11,332,597.35	3,916,417.78
Total Capital Assets Not Being Depreciated	6,167,198.55	14,745,513.27	11,332,597.35	9,580,114.47
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	26,811,678.14	677,609.85	—	27,489,287.99
Buildings and Fixed Equipment	292,508,428.29	10,654,987.50	—	303,163,415.79
Furniture, Fixtures, and Equipment	24,485,762.76	2,284,846.00	1,312,496.25	25,458,112.51
Motor Vehicles	15,729,718.56	1,559,057.33	506,039.18	16,782,736.71
Property Under Capital Lease	3,580,564.00			3,580,564.00
Audio Visual Materials and Computer Software	5,647,031.96	460,245.91	85,373.45	6,021,904.42
Total Capital Assets Being Depreciated	368,763,183.71	15,636,746.59	1,903,908.88	382,496,021.42
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	13,070,542.65	1,450,511.79	—	14,521,054.44
Buildings and Fixed Equipment	160,191,724.96	13,221,380.96	—	173,413,105.92
Furniture, Fixtures, and Equipment	15,641,322.99	3,308,026.55	1,312,496.25	17,636,853.29
Motor Vehicles	15,328,048.03	1,960,727.86	506,039.18	16,782,736.71
Property Under Capital Lease	3,431,373.57	149,190.43	—	3,580,564.00
Audio Visual Materials and Computer Software	5,302,835.03	804,442.84	85,373.45	6,021,904.42
Total Accumulated Depreciation	212,965,847.23	20,894,280.43	1,903,908.88	231,956,218.78
Total Capital Assets Being Depreciated, Net	155,797,336.48	(5,257,533.84)	—	150,539,802.64
Governmental Activities Capital Assets, Net	<u>\$ 161,964,535.03</u>	<u>\$ 9,487,979.43</u>	<u>\$ 11,332,597.35</u>	<u>\$ 160,119,917.11</u>

The classes of property under capital leases are presented in Note 6.

Alachua County District School Board
Notes to Financial Statements (continued)

5. Changes in Capital Assets (continued)

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,616,021.81
Unallocated	<u>19,278,258.62</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 20,894,280.43</u></u>

6. Obligations Under Capital Lease

The Districted entered into a performance agreement on November 20, 1996, to increase operating efficiency of the District's schools. The agreement was for the installation of quality control equipment for the conservation of energy and equipment performance. The amount financed under this arrangement totaled \$3,580,564. Repayment is to be made over ten years in monthly principal and interest payments.

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	<u>\$ 40,838.70</u>	<u>\$ 40,644.28</u>	<u>\$ 194.42</u>
Total Minimum Lease Payments	<u><u>\$ 40,838.70</u></u>	<u><u>\$ 40,644.28</u></u>	<u><u>\$ 194.42</u></u>

The imputed interest rate is 5.74 percent.

Alachua County District School Board
Notes to Financial Statements (continued)

7. Certificates of Participation

Certificates of Participation at June 30, 2007, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 1997A	\$ 7,045,000	4.50 - 5.00	2014	\$ 13,690,000
Series 1998 (Refunded 2005)	595,000	4.65	2008 (2)	12,640,000
Series 2001	21,445,000	4.25 - 5.00	2021	24,200,000
Series 2001-QZAB	5,147,000	—	2016	5,147,000
Series 2004	20,150,000	5.00 - 5.25	2029	20,150,000
Series 2005	22,585,000	2.50 - 5.00	2018	22,815,000
Series 2005-QZAB	1,794,000	—	2020	1,794,000
Total Certificates of Participation	<u>\$ 78,761,000</u>			

- Note: (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB's. The rate of return to the holders was established by the United States Government at the time of sale.
- (2) The maturity amounts outstanding for the Series 1997 and Series 1998 COPS do not include debt that has been defeased.

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Alachua School Board Leasing Corporation whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of certificates of participation by the Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Alachua School Board Leasing Corporation, with a rental fees of \$1 per year, except for the 2001-QZAB (Qualified Zone Academy Bonds) and the 2005-QZAB, which are secured by computer equipment. The initial terms of the leases end on the earlier of the maturity date, or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms of five years. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangements.

Alachua County District School Board
Notes to Financial Statements (continued)

7. Certificates of Participation (continued)

The District properties included in the ground leases under these arrangements include land on which the projects have been constructed. The projects related to the ground leases are as follows:

Series 1997A

Kanapaha Middle School

Series 1998

Buchholz High School Parking and Site Improvements
Gainesville High School Property Purchase, Tennis Courts, and Parking and Traffic Improvements
Archer Community Elementary School Food Service Facility
Mebane Middle School Additions
Westwood Middle School Additions

Series 2001

Shell Elementary School Food Service and Dining Facilities
Kanapaha Middle School Exceptional Building for Physically-Impaired
Spring Hill Middle School Classroom and Dining Facilities
Eastside High School Classrooms and Administrative Facilities
Sidney Lanier Center Classrooms and Dining Facilities
Tennis Courts at Buchholz, Eastside, Hawthorne, Lofton, Newberry, and Sante Fe High Schools
Glen Springs Elementary School Food Service and Art and Music Facilities
Howard Bishop Middle School Classrooms and Laboratories
Westwood Middle School Food Service Facilities and Multi-Purpose Building
Kirby-Smith Center Parking Upgrades and Site Improvements

Series 2004

Horizon Center New Classrooms and Support Facilities
Hawthorne Middle/High School Classroom Remodeling
Rawlings Elementary School Food Service/Multi-Purpose Building
Lofton High School/Horizon Center New Gymnasium/Multi-Purpose Building and Food Service Improvements
Hidden Oak Elementary School New 10-Classroom Building
Norton Elementary New 4-Classroom Building
Talbot Elementary School New 10-Classroom Building
Wiles Elementary School New 10-Classroom Building
Newberry Elementary School New 4-Classroom Building

Series 2005 Refunding

Certificates of Participation, Series 1997, maturing in the years 2008 to 2018, and the underlying projects.
Certificates of Participation, Series 1998, maturing in the years 2009 to 2018, and the underlying projects.

Alachua County District School Board
Notes to Financial Statements (continued)

7. Certificates of Participation (continued)

The lease under the Series 2001-QZAB and the Series 2005-QZAB issues includes computer equipment purchased throughout the District.

Lease payments, with the exception of the Series 2001-QZAB and the Series 2005-QZAB issues, are payable by the District, semiannually, on July 1 and January 1. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,152,357.50	\$ 2,775,000.00	\$ 3,377,357.50
2009	6,152,090.00	2,885,000.00	3,267,090.00
2010	6,155,150.00	2,995,000.00	3,160,150.00
2011	6,151,525.00	3,105,000.00	3,046,525.00
2012	6,153,656.00	3,230,000.00	2,923,656.00
2013-2017	35,905,135.00	23,532,000.00	12,373,135.00
2018-2022	29,707,575.00	22,189,000.00	7,518,575.00
2023-2027	15,709,640.00	12,225,000.00	3,484,640.00
2028-2029	6,285,375.00	5,825,000.00	460,375.00
Total Minimum Lease Payments	<u>\$ 118,372,503.50</u>	<u>\$ 78,761,000.00</u>	<u>\$ 39,611,503.50</u>

The Series 2001-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of October 25, 2001, will mature on October 25, 2015, for the original \$5,147,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$596,350 for five consecutive years beginning on October 25, 2002 were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the Certificates at maturity. The Series 2005-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of December 22, 2005, will mature on December 22, 2020, for the original \$1,794,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$235,240 for five consecutive years beginning on December 22, 2006, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the Certificates at maturity.

Alachua County District School Board
Notes to Financial Statements (continued)

8. Bonds Payable

Bonds payable at June 30, 2007, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1998A	\$ 135,000	4.50	2008
Series 1999A	370,000	4.00 - 4.75	2019
Series 2005A, Refunding	5,055,000	4.60 - 5.00	2016
Series 2005B, Refunding	1,220,000	4.50 - 5.25	2018
District General Obligation Bonds:			
Series 2001, Refunding	9,820,000	4.25 - 5.00	2010
Series 2003, Refunding	<u>22,060,000</u>	3.00 - 5.00	2012
Total Bonds Payable	<u>\$ 38,660,000</u>		

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

State School Bonds

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

District General Obligation Bonds

General Obligation Refunding Bonds, Series 2001 and 2003, are authorized by Section 12, Article VII, of the State Constitution and secured by a pledge of property taxes levied, pursuant to Chapters 1010 and 1011, *Florida Statutes*.

Alachua County District School Board
Notes to Financial Statements (continued)

8. Bonds Payable (continued)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2008	\$ 911,687.50	\$ 575,000.00	\$ 336,687.50
2009	893,862.50	585,000.00	308,862.50
2010	904,875.00	625,000.00	279,875.00
2011	908,812.50	660,000.00	248,812.50
2012	910,962.50	695,000.00	215,962.50
2013-2017	3,915,075.00	3,395,000.00	520,075.00
2018-2019	<u>258,737.50</u>	<u>245,000.00</u>	<u>13,737.50</u>
Total State School Bonds	<u>8,704,012.50</u>	<u>6,780,000.00</u>	<u>1,924,012.50</u>
General Obligation Bonds:			
2008	8,408,240.00	7,205,000.00	1,203,240.00
2009	8,415,265.00	7,540,000.00	875,265.00
2010	8,421,723.75	7,830,000.00	591,723.75
2011	4,923,755.00	4,570,000.00	353,755.00
2012	<u>4,919,665.00</u>	<u>4,735,000.00</u>	<u>184,665.00</u>
Total General Obligation Bonds	<u>35,088,648.75</u>	<u>31,880,000.00</u>	<u>3,208,648.75</u>
Total	<u><u>\$43,792,661.25</u></u>	<u><u>\$38,660,000.00</u></u>	<u><u>\$5,132,661.25</u></u>

9. Defeased Debt

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2005B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance-refund callable portions of the District's State School Bonds, Series 1998A. The Refunding Bonds have been issued to advance-refund the \$1,295,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009. The District's pro rata share of net proceeds totaling \$1,339,632.26 (after deduction of \$4,608.98 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for future debt service payments. As a result, \$1,295,000 of the State School Bonds, Series 1998A are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

Alachua County District School Board
Notes to Financial Statements (continued)

9. Defeased Debt (continued)

The Series 2005B bonds were issued to reduce the total debt service payments over the next 13 years by approximately \$94,712 and to obtain an economic gain of \$72,726.

10. Changes in Long-Term Liabilities

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 513,535.28	\$ —	\$ 472,891.00	\$ 40,644.28	\$ 40,644.28
Bonds Payable	46,135,000.00	—	7,475,000.00	38,660,000.00	7,780,000.00
Certificates of Participation Payable	81,421,000.00	—	2,660,000.00	78,761,000.00	2,775,000.00
Compensated Absences Payable	20,740,690.01	702,967.52	1,273,439.48	20,170,218.05	1,238,413.57
Total Governmental Activities	<u>\$ 148,810,225.29</u>	<u>\$ 702,967.52</u>	<u>\$ 11,881,330.48</u>	<u>\$ 137,631,862.33</u>	<u>\$ 11,834,057.85</u>

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

11. Reserve for Encumbrances

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$1,014,070.42 at June 30, 2007.

Alachua County District School Board
Notes to Financial Statements (continued)

12. Interfund Receivables, Payables, and Transfers

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 1,941,469.30	\$ 200,000.00
Special Revenue:		
Major	—	236,545.67
Capital Projects:		
Public Education Capital Outlay	—	143,941.07
Local Capital Improvement	—	129,634.78
Other Capital Projects	—	1,104,745.89
Nonmajor Governmental Funds	—	—
Fiduciary Funds	—	126,601.89
Total	<u>\$ 1,941,469.30</u>	<u>\$ 1,941,469.30</u>

Interfund balances generally arise due to expenditures being adjusted between funds. All balances are expected to be repaid in less than one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 4,723,225.00	\$ 86,655.33
Capital Projects:		
Public Education Capital Outlay	—	3,354,304.00
Local Capital Improvement	—	2,200,510.65
Other Capital Projects	200,000.00	—
Nonmajor Governmental Funds	<u>918,244.98</u>	<u>200,000.00</u>
Total	<u>\$ 5,841,469.98</u>	<u>\$ 5,841,469.98</u>

The principal purpose of the interfund transfers were to provide for expenditures originally paid out of other funds (e.g., portable rentals and maintenance were paid out of the General Fund but with Capital Projects Funds moneys).

Alachua County District School Board
Notes to Financial Statements (continued)

13. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue for the 2006-07 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 94,061,009.00
Categorical Educational Programs:	
Class Size Reduction Operating Funds	21,830,628.00
Transportation	6,752,749.00
Instruction Materials	2,771,438.00
Discretionary Lottery Funds	1,114,306.00
Other	4,223,157.04
Public Education Capital Outlay	14,790,310.00
Workforce Development Program	1,474,730.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	862,858.93
Food Service Supplement	219,966.82
Mobile Home License Tax	90,628.36
Miscellaneous	<u>2,124,494.54</u>
Total	<u><u>\$150,316,275.69</u></u>

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

Alachua County District School Board
Notes to Financial Statements (continued)

14. Property Taxes

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.061	\$ 57,480,308
Basic Discretionary Local Effort	0.510	5,792,325
Supplemental Discretionary Local Effort	0.250	2,839,375
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
District General Obligation Bonds:		
Series 2001, Refunding	0.320	3,634,400
Series 2003, Refunding	0.430	4,883,725
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>22,715,000</u>
Total	<u>8.571</u>	<u>\$ 97,345,133</u>

15. State Retirement Program

Defined Benefit Plan

All regular employees of the District are covered by the Florida Retirement System. The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, *Florida Statutes*; Chapter 112, Part IV, *Florida Statutes*; Chapter 238, *Florida Statutes*; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS.

Benefits in the Plan vest at six years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

Alachua County District School Board
Notes to Financial Statements (continued)

15. State Retirement Program (continued)

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, *Florida Statutes*, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Funding Policy

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes or Plans	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ending June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$9,595,862.79, \$10,448,410.51, and \$13,863,342.59, respectively, which were equal to the required contributions for each fiscal year.

Alachua County District School Board
Notes to Financial Statements (continued)

15. State Retirement Program (continued)

Defined Contribution Plan

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 289 District participants in the PEORP during the 2006-07 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2007, totaled \$1,144,176.51.

Pension Reporting

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

16. Early Retirement Program

Plan Description

As authorized by Section 1012.685, *Florida Statutes*, the Board implemented an Early Retirement Plan (Plan) effective January 1, 1984. The Plan is a single-employer defined benefit pension plan. The purpose of the Plan is to provide District employees, who elect to retire under the early retirement provisions of the Florida Retirement System, described in Note 15, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement age. The Board administers Plan assets in a Pension Trust Fund and is responsible for their investment. The Board acts as the administrative agent for the Plan.

As of June 30, 2007, employee membership data related to the Plan were as follows:

Retirees and Beneficiaries Currently Receiving Benefits	<u>141</u>
Active Plan Participants:	
Vested	1,326
Nonvested	<u>2,920</u>
Total Active Plan Participants	<u>4,246</u>
Total	<u><u>4,387</u></u>

Alachua County District School Board
Notes to Financial Statements (continued)

16. Early Retirement Program (continued)

A summary of eligibility and benefits follows:

- Eligibility – A member of the Plan is eligible upon attainment of age 55 to 61, completion of 25 or more years of creditable service, and having applied for retirement under the Florida Retirement System.
- Benefits – Amount of the reduction in monthly benefits from the Florida Retirement System as a consequence of early retirement.

Summary of Significant Accounting Policies

Significant accounting policies related to basis of accounting and the method of asset valuation are disclosed in Note 1. There are no interfund loans outstanding between the Pension Trust Fund and other funds.

Contributions and Reserves

The District's Early Retirement program was established by the Board and became effective on January 1, 1984. Pursuant to the Plan Agreement, no contribution shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual pension cost of the Plan.

Periodic employer contributions to the Plan are determined on an actuarial basis using the "Aggregate Actuarial Cost Method." Annual pension cost is funded on a current basis. Significant actuarial assumptions used to compute annual required contributions are the same as those used to determine the actuarial accrued liability.

Contributions to the Plan in 2007 totaled to \$527,925, all of which was paid by the Board, and were made in accordance with actuarially determined contribution requirements determined through an actuarial update performed at July 1, 2006.

The computation of the annual required contributions for 2007 was based on the same (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method, and (d) other significant factors as used to determine annual required contributions in the previous year.

All of the assets in the District's Pension Trust Fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose.

Cost of administering the plan are financed through the Plan's resources (employer contributions and investment earnings).

Alachua County District School Board
Notes to Financial Statements (continued)

16. Early Retirement Program (continued)

Concentrations

The Plans investments at June 30, 2007, consists of the following:

	Balance June 30, 2007	Percent of Plan Net Assets
USB Global – RMA Money Market Portfolio	\$ 198,119.86	5.76 %
USB Global – SMA Relationship Trust Mutual Fund	830,871.60	24.15
USB Global Equities	1,835,029.66	53.34
USB Gobal – United States Government Securities	576,026.64	16.75
Total	<u>\$ 3,440,047.76</u>	<u>100.00 %</u>

Trend Information

An analysis of funding progress is presented below:

Fiscal Year Ended June 30, 2007	Annual Required Contribution	Actual Board Contribution	Percentage Contributed
2001	\$ 330,558	\$ 330,558	100%
2002	383,705	383,705	100
2003	455,874	455,874	100
2004	492,355	492,355	100
2005	551,412	551,412	100
2006	579,561	579,561	100

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	July 1, 2006
Actuarial Cost Method	Aggregate
Asset Valuation Method	Market
Actuarial Assumptions	
Investment Rate of Return	8 percent, includes inflation and cost-of-living adjustments at 3 percent
Projected salary increases	6 percent per year

Alachua County District School Board
Notes to Financial Statements (continued)

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liability.

17. Construction Contract Commitments

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

Project	Contract Amount	Completed to Date	Balance Committed
Alachua Elementary Classroom Addition/Paving improvements			
Architect	\$ 115,835	\$ 69,748	\$ 46,087
Contractor (Not Bid as of 6/30/2007)	—	—	—
Finley Elementary A/C Replacement, Phase II			
Engineer	63,118	31,157	31,961
Contractor	1,208,417	771,334	437,083
High Springs Community Bus Drive			
Engineer	34,275	23,919	10,356
Contractor	422,394	—	422,394
Lincoln Middle School Student Services Additions/Renovations			
Architect	129,887	35,537	94,350
Contractor (Not Bid as of 6/30/2007)	—	—	—
Gainesville High Reroofing			
Architect	104,498	85,859	18,639
Contractor	1,380,000	769,850	610,150
Gainesville High Media Center Addition & Renovation			
Architect	171,567	88,000	83,567
Contractor (Not Bid as of 6/30/2007)	—	—	—
Hawthorne Jr./Sr. High Classroom Remodeling & Addition			
Architect	125,813	89,205	36,608
Contractor	1,258,929	269,087	989,842
Lofton High School New Classroom Building & Multi-Purpose Building			
Architect	341,298	255,086	86,212
Contractor	3,618,688	684,568	2,934,120
Sante Fe High School Bus Drive			
Architect	94,728	89,364	5,364
Contractor	932,269	561,978	370,291
Sante Fe High Science Classrooms			
Architect	197,026	7,718	189,308
Contractor (Not Bid as of 6/30/2007)	—	—	—
Sante Fe High Fire Alarm/Intercom Replacement			
Architect	80,254	72,490	7,764
Contractor	515,000	327,367	187,633
Total	\$ 10,793,996	\$ 4,232,267	\$ 6,561,729

Alachua County District School Board
Notes to Financial Statements (continued)

18. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Alachua County District School Board is a member of the Florida School Board Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. The FSBIT was established for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards.

Health and hospitalization insurance coverage is provided to District employees through purchased commercial insurance.

Insurance coverage for fiduciary, petroleum tanks, student accident, student nurse malpractice, and sports injury are provided by commercial insurance.

Settled claims resulting from insurance coverage above have not exceeded purchased insurance coverage for the past three fiscal years.

19. Litigation

The District is involved in several pending and threatened legal actions. In the opinion of District management, the range of potential loss from all such claims and actions should not materially affect the financial condition of the District.

20. Subsequent Event

As discussed in Note 3, at June 30, 2007, the District had \$38,999,662 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Alachua County District School Board
Notes to Financial Statements (continued)

20. Subsequent Event (continued)

Currently, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard & Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of January 25, 2008, the District has \$5,685,253 and \$1,249,759 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Required Supplementary Information

Alachua County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget – Positive (Negative)
REVENUES				
Federal Direct	\$ 135,000.00	\$ 135,000.00	\$ 156,753.38	\$ 21,753.38
Federal Through State	900,000.00	900,000.00	994,592.06	94,592.06
State Sources	130,978,924.00	133,636,496.17	133,684,336.68	47,840.51
Local Sources	68,821,005.00	69,947,970.78	71,525,389.12	1,577,418.34
Total Revenues	200,834,929.00	204,619,466.95	206,361,071.24	1,741,604.29
EXPENDITURES				
Current:				
Instruction	109,228,909.54	118,816,135.78	114,605,467.84	4,210,667.94
Pupil Personnel Services	11,189,173.57	12,755,363.89	12,425,230.59	330,133.30
Instructional Media Services	4,739,199.00	5,273,271.50	4,970,751.21	302,520.29
Instruction and Curriculum Development Services	5,520,034.88	6,510,515.69	6,465,271.80	45,243.89
Instructional Staff Training Services	1,539,778.77	2,758,305.65	1,960,891.26	797,414.39
Instruction Related Technology	3,093,139.81	3,019,835.83	2,727,377.64	292,458.19
School Board	686,279.75	652,580.43	619,803.18	32,777.25
General Administration	701,814.74	896,441.46	885,649.18	10,792.28
School Administration	11,401,619.94	12,609,345.37	12,582,953.83	26,391.54
Facilities Acquisition and Construction	758,005.76	951,689.88	744,669.99	207,019.89
Fiscal Services	1,291,706.65	1,722,458.74	1,417,054.87	305,403.87
Food Services	–	–	–	–
Central Services	2,837,910.96	3,141,950.37	3,021,162.57	120,787.80
Pupil Transportation	10,365,393.21	10,450,683.47	10,259,166.79	191,516.68
Operation of Plant	22,017,994.29	22,867,288.28	22,555,555.30	311,732.98
Maintenance of Plant	5,302,464.96	5,469,484.65	4,812,240.33	657,244.32
Administrative Technology Services	1,043,148.32	1,215,345.59	1,181,564.04	33,781.55
Community Services	3,364,678.29	3,771,442.47	3,200,893.56	570,548.91
Capital Outlay:				
Facilities Acquisition and Construction	–	113,627.56	113,627.56	–
Other Capital Outlay	–	1,077,473.32	1,077,473.32	–
Total Expenditures	195,081,252.44	214,073,239.93	205,626,804.86	8,446,435.07
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,753,676.56	(9,453,772.98)	734,266.38	10,188,039.36
OTHER FINANCING SOURCES (USES)				
Loss Recoveries	–	–	9,895.25	9,895.25
Transfers In	4,500,000.00	4,723,225.00	4,723,225.00	–
Transfers Out	–	(86,655.33)	(86,655.33)	–
Total Other Financing Sources (Uses)	4,500,000.00	4,636,569.67	4,646,464.92	9,895.25
Net Change in Fund Balances	10,253,676.56	(4,817,203.31)	5,380,731.30	10,197,934.61
Fund Balances, July 1, 2006	17,314,243.09	17,314,243.09	17,314,243.09	–
Adjustment to Fund Balances	–	–	11,606.24	11,606.24
Fund Balances, June 30, 2007	\$ 27,567,919.65	\$ 12,497,039.78	\$ 22,706,580.63	\$ 10,209,540.85

Alachua County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Other Federal Programs Fund
For Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget – Positive (Negative)
REVENUES				
Federal Direct	\$ -	\$ -	\$ 3,031,434.80	\$ 3,031,434.80
Federal Through State	14,080,047.00	33,378,185.84	19,111,254.34	(14,266,931.50)
Total Revenues	14,080,047.00	33,378,185.84	22,142,689.14	(11,235,496.70)
EXPENDITURES				
Current:				
Instruction	8,023,217.00	14,635,546.24	10,628,026.89	4,007,519.35
Pupil Personnel Services	1,243,763.00	2,752,606.08	2,489,136.81	263,469.27
Instructional Media Services	-	53,376.74	9,095.14	44,281.60
Instruction and Curriculum Development Services	2,669,909.00	5,015,766.86	4,240,453.84	775,313.02
Instructional Staff Training Services	1,415,015.00	7,813,583.74	2,594,026.92	5,219,556.82
Instruction Related Technology	-	66,982.00	55,640.49	11,341.51
General Administration	317,970.00	513,222.66	369,962.05	143,260.61
School Administration	-	50,577.77	47,983.33	2,594.44
Facilities Acquisition and Construction	-	431,428.19	6,715.00	424,713.19
Fiscal Services	-	21,200.00	21,200.00	0.00
Central Services	-	211,676.40	100,657.40	111,019.00
Pupil Transportation	408,673.00	382,793.01	225,956.08	156,836.93
Operation of Plant	1,500.00	180,460.11	104,869.15	75,590.96
Maintenance of Plant	-	15,384.78	15,384.78	-
Administrative Technology Services	-	-	-	-
Community Services	-	-	-	-
Debt Service: (Function 9200)				
Retirement of Principal	-	-	-	-
Interest	-	-	-	-
Dues, Fees and Issuance Costs	-	-	-	-
Miscellaneous Expenditures	-	-	-	-
Capital Outlay:				
Facilities Acquisition and Construction	-	117,192.81	117,192.81	-
Other Capital Outlay	-	1,116,388.45	1,116,388.45	-
Total Expenditures	14,080,047.00	33,378,185.84	22,142,689.14	11,235,496.70
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, July 1, 2006	-	-	-	-
Fund Balances, June 30, 2007	\$ -	\$ -	\$ -	\$ -

Federal Reports and Schedules

Alachua County District School Board
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550	N/A	\$ 406,500.90	\$ —
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	1,503,617.81	—
National School Lunch Program	10.555	300	4,317,882.23	—
Summer Food Service Program for Children	10.559	323	135,631.28	—
Total Child Nutrition Cluster			5,957,131.32	—
Child and Adult Care Food Program	10.558	302	288,228.55	—
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,651,860.77	—
U.S. Department of Defense:				
Direct:				
Navy Junior Reserve Officers Training Corps	12.XXX	N/A	99,591.59	—
Air Force Junior Reserve Officers Training Corps	12.XXX	N/A	57,161.79	—
TOTAL U.S. DEPARTMENT OF DEFENSE			156,753.38	—
National Science Foundation:				
Indirect:				
University of Florida:				
Engineering Grants	47.041	N/A	14,923.64	—
Education and Human Resources	47.076	N/A	56,539.06	—
TOTAL NATIONAL SCIENCE FOUNDATION			71,462.70	—
U.S. Department of Education:				
Direct:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	278.70	—
Total Direct			278.70	—
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education – Grants to States	84.027	262,263	6,967,848.46	—
Special Education – Preschool Grants	84.173	267	289,495.77	—
Total Special Education Cluster			7,257,344.23	—
Title I Grants to Local Education Agencies	84.010	212,222,223,226	6,081,497.93	—
Migrant Education – Basic State Grant Program	84.011	217	744,203.95	—
Vocational Education – Basic Grants to States	84.048	151	333,801.67	—
Safe and Drug-Free Schools and Communities – State Grants	84.186	103	157,591.58	—
Education for Homeless Children and Youth	84.196	127	102,243.20	—
Even Start – State Educational Agencies	84.213	219	31,544.78	—
Charter Schools	84.282	298	297,343.04	297,343.04
Twenty-First Century Community Learning Centers	84.287	244	465,596.19	—
State Grants for Innovative Programs	84.298	113	39,615.65	—
Education Technology State Grants	84.318	121,122	350,853.98	—
Comprehensive School Reform Demonstration	84.332	128	83,871.55	—
Reading First State Grants	84.357	211	522,715.09	—
Title III No Child Left Behind LEP/Immigrant	84.365	102	142,733.64	—
Mathematics and Science Partnerships	84.366	235	299,143.07	—

Alachua County District School Board
Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
U.S. Department of Education (continued):				
Improving Teacher Quality State Grants	84.367	224	\$ 2,014,410.74	\$ —
University of Florida:				
Preparing Tomorrow's Teachers to Use Technology	84.342	N/A	12,324.43	—
Total Indirect			<u>18,936,834.72</u>	<u>297,343.04</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>18,937,113.42</u>	<u>297,343.04</u>
U.S. Department of Health and Human Services:				
Direct:				
Head Start	93.600	N/A	2,851,160.17	—
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,851,160.17</u>	<u>—</u>
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America – School and Community Based Programs	94.004	232,234	33,928.92	—
Florida Commission on Community Service:				
AmeriCorps	94.006	N/A	179,995.93	—
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>213,924.85</u>	<u>—</u>
U.S. Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
State Homeland Security Grant Program	97.067	532	69,028.00	—
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>69,028.00</u>	<u>—</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 28,951,303.29</u>	<u>\$ 297,343.04</u>

See accompanying notes.

Alachua County District School Board

Notes to Schedule of Expenditures of Federal Awards

June 30, 2007

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes amounts expended from federally funded programs during the year ended June 30, 2007 as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been prepared.

2. Noncash Assistance

The amounts reported for the Food Distribution program represent the dollar value of donated food used by the District during the 2007 fiscal year. Commodities are valued at fair value as determined on the date of donation.

3. Contingency

The disbursement of funds received under Federal programs is subject to review and audit by grantor agencies. Any disbursements disallowed by these agencies could become a liability of the District. In the opinion of management, any such claims would not be material to the District.

Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

Members of the Board
Alachua County District School Board

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Charter Schools and the Alachua County Public Schools Foundation, which comprise the discretely presented component units of the District as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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.

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.

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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated January 25, 2008.

This report is intended solely for the information and use of management, the Superintendent, Members of the School Board, the Auditor General State of Florida and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

January 25, 2008

Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the Board
Alachua County District School Board

Compliance

We have audited the compliance of the Alachua County District School Board (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the Superintendent, Members of the School Board, the Auditor General State of Florida and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

January 25, 2008

Alachua County District School Board
Schedule of Findings and Questioned Costs

June 30, 2007

Part I—Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unqualified, qualified, adverse, or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ **Yes** X **None reported**

Noncompliance material to financial statements noted?

_____ **Yes** X **No**

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ **Yes** X **None reported**

Type of auditor's report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

_____ **Yes** X **No**

Identification of major programs:

CFDA Number(s)

84.010
84.367

Name of Federal Program or Cluster

Title I Grants to Local Education Agencies
Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 868,539

Auditee qualified as low-risk auditee?

 X **Yes** _____ **No**

Alachua County District School Board

Schedule of Findings and Questioned Costs (continued)

Part II—Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

No significant deficiencies, material weaknesses, or instances of fraud, illegal acts, violation of provisions of contracts and grant agreements or abuse, related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Part III—Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

No material weaknesses, significant deficiencies or material instances of noncompliance, including questioned costs, or abuse findings involving federal awards that are material to a major federal awards program were noted.

Alachua County District School Board
Summary Schedule of Prior Audit Findings

June 30, 2007

Summary Schedule of Prior Audit Findings

2006 Federal Awards Finding No. 1: Cash Management – Improving Teacher Quality State Grants Program (CFDA No. 84.367)

The District drew down cash advances from the Florida Department of Education (FDOE) in excess of amounts necessary to satisfy immediate cash needs for grants funded through FDOE.

Status

The District has revised forecasting procedures used to determine cash draws to reduce Federal Cash balances to an appropriate level. Revised procedures include monthly monitoring of Federal Cash balances. Federal Interest will be remitted quarterly. The District continues to follow the procedures throughout the fiscal year.

2006 Federal Awards Finding No. 2: Allowable Costs/Cost Principles – Improving Teacher Quality State Grants Program (CFDA No. 84.367)

Semi-annual certifications were not available for employees working solely on the Improving Teacher Quality State Grants program, and personnel activity reports were not available for employees who worked on this and other programs. Such certifications are required to document salaries and wages charged to the program.

Status

The District has implemented procedures for projects funded through the FDOE to ensure employees, or their direct supervisors, who work solely on single cost objective to complete and sign semi-annual certifications. Employees who work on multiple cost activities shall follow the FDOE guidance for the substitute time reporting system. The District continues to follow the procedures throughout the fiscal year.

2006 Federal Awards Finding No. 3: Allowable Costs/Cost Principles – Head Start (CFDA No. 93.600)

Semi-annual certifications were not available for employees working solely on the Head Start program, and monthly personnel activity reports were not available for employees who worked on this and other programs. Such certifications are required to document salaries and wages charged to the program.

Status

The District has implemented procedures to require employees, or their direct supervisors, who work solely on single cost objective to complete and sign semi-annual certifications. Employees who work on multiple cost activities must complete monthly personnel activity reports. The District continues to follow the procedures throughout the fiscal year.