

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

Year Ended June 30, 2006

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

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Independent Auditors' Report

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the "District"), as of and for the year ended June 30, 2006, 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 Pinellas County Education Foundation, Inc., Academie Da Vinci Charter School, Inc., Pinellas Preparatory Academy, Inc., Life Skills Center of Pinellas County, Inc., The Athenian Academy, or the Plato Academy Charter School, which represent 100 percent of the assets and revenues of the aggregate discretely presented component units. 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 these component units, is based solely on the reports of other auditors.

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

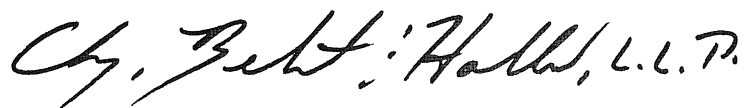
Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, the Board is required to otherwise provide for audits of the school activity funds, commonly called the school internal funds. Accordingly, our audit did not extend to the school internal funds reported as Agency Funds on the accompanying basic financial statements. These financial activities represent 8.72 percent and 16.43 percent of the assets and liabilities, respectively, of the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments on the aggregate remaining fund information, if any, as might have been determined to be necessary had we extended our audit to the school internal funds, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2007 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, 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 the other required supplementary information on pages 3 through 11 and 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the District's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2006 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Ch. Beht: Hall, L.L.P." in a cursive script.

St. Petersburg, Florida
April 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the District School Board of Pinellas County (the District) has prepared the following discussion and analysis 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) report is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the District's financial statements found on page 12.

Overview of the Financial Statements

The basic financial statements consist of three components:

- Government-wide financial statements ("District-wide")
- Fund financial statements
- Notes to the financial statements

In addition, this report presents certain required supplementary information, which includes Management's discussion and analysis.

The major features of the District's financial statements, including the portion of the activities reported and the type of information contained, is shown in the following table.

Major Features of the District-wide and Fund Financial Statements

	District Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary.	Activities the District provides to other funds. The district's self insurance program is the only proprietary operation.	Assets held by the District in a trustee or grant capacity such as the internal accounts of the schools.
Required financial statements	Statement of net assets, and statement of activities.	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and statement of revenues, expenses and changes in net assets, and statement of cash flows.	Statement of fiduciary net assets, and statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

District-wide Financial Statements

The district-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 and business-type activities of the Primary Government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position--and 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 district-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 six separate legal entities in this report (a foundation, and five charter schools). Although legally separate organizations, the component units are included in this report because the units meet the criteria for inclusion provided by generally accepted accounting principles.

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 financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types.

All of the District's funds may be classified within one of three broad categories:

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus, rather than the economic resources measurement focus found in the district-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. Consequently, 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 district-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

Proprietary Fund

The internal service fund is used to account for the District's self-insurance programs.

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 district-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.

District-Wide Financial Analysis

Net Assets – Below is a summary of the District's net assets for the year ended June 30, 2005, as compared to June 30, 2006.

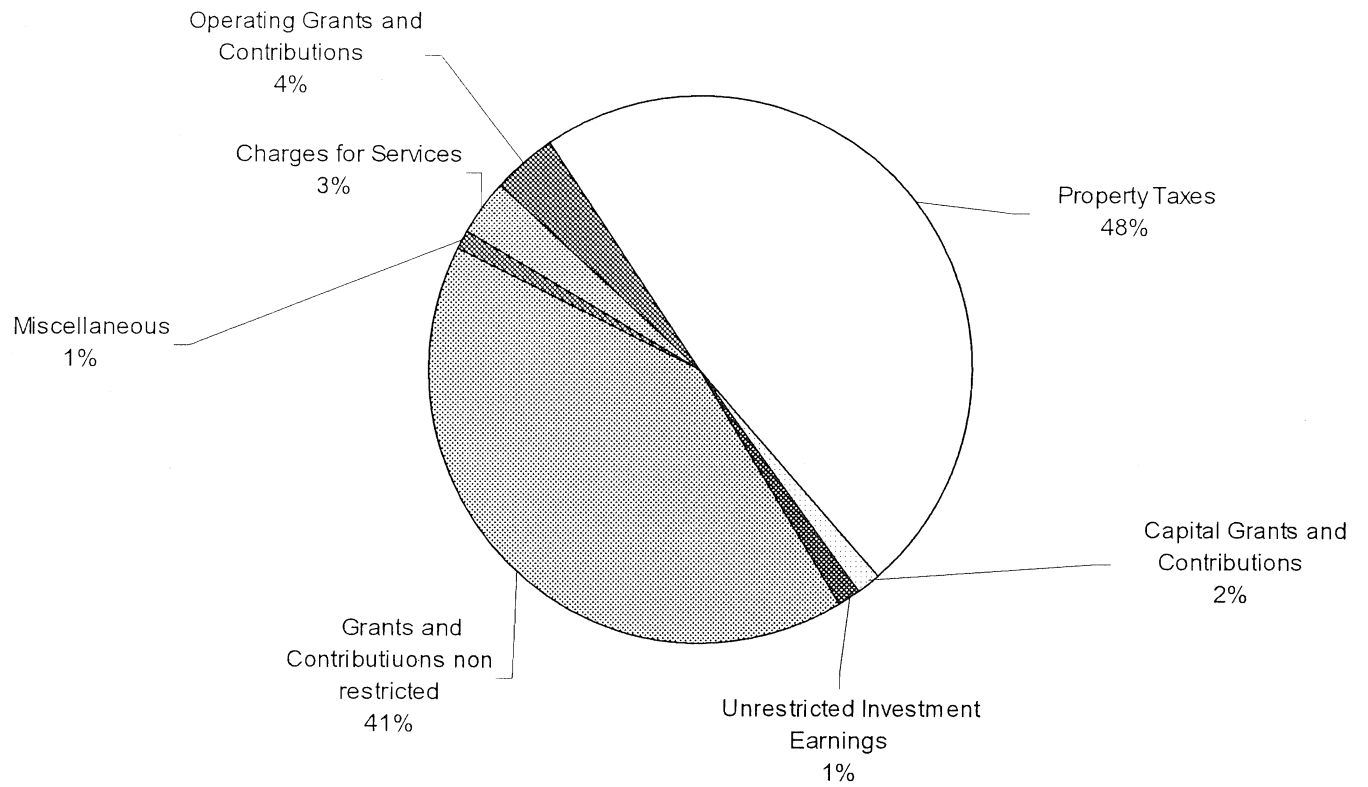
	<u>2005</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current Assets	\$ 295,614,300	\$ 352,192,078	\$ 56,577,778	
Net Capital Assets	<u>1,474,418,555</u>	<u>1,502,768,438</u>	<u>28,349,883</u>	
Total Assets	<u>\$ 1,770,032,855</u>	<u>\$ 1,854,960,516</u>	<u>\$ 84,927,661</u>	4.80%
Current Liabilities	51,998,418	56,538,204	4,539,786	
Noncurrent Liabilities	<u>153,644,662</u>	<u>151,496,867</u>	<u>(2,147,795)</u>	
Total Liabilities	<u>\$ 205,643,080</u>	<u>\$ 208,035,071</u>	<u>\$ 2,391,991</u>	1.16%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,431,411,585	\$ 1,461,424,136	\$ 30,012,551	
Restricted	178,698,927	227,699,989	49,001,062	
Unrestricted	<u>(45,720,737)</u>	<u>(42,198,680)</u>	<u>3,522,057</u>	-7.70%
Total Net Assets	<u>\$ 1,564,389,775</u>	<u>\$ 1,646,925,445</u>	<u>\$ 82,535,670</u>	5.28%

The District's net assets increased 5.28% to \$1.65 billion. This was attributed to a combination of an increase in total assets and a decrease in total liabilities. The District reported an unrestricted net asset deficit of \$42.2 million, due to the accounting methodology required by GASB 34. This represents a decrease in the net asset deficit by 10% from 2005. The calculation of net assets uses an historical cost of school buildings that may not accurately reflect the true value. Pinellas County's schools and support buildings are in excellent condition as a result of sufficient annual funds appropriated for maintenance and repair.

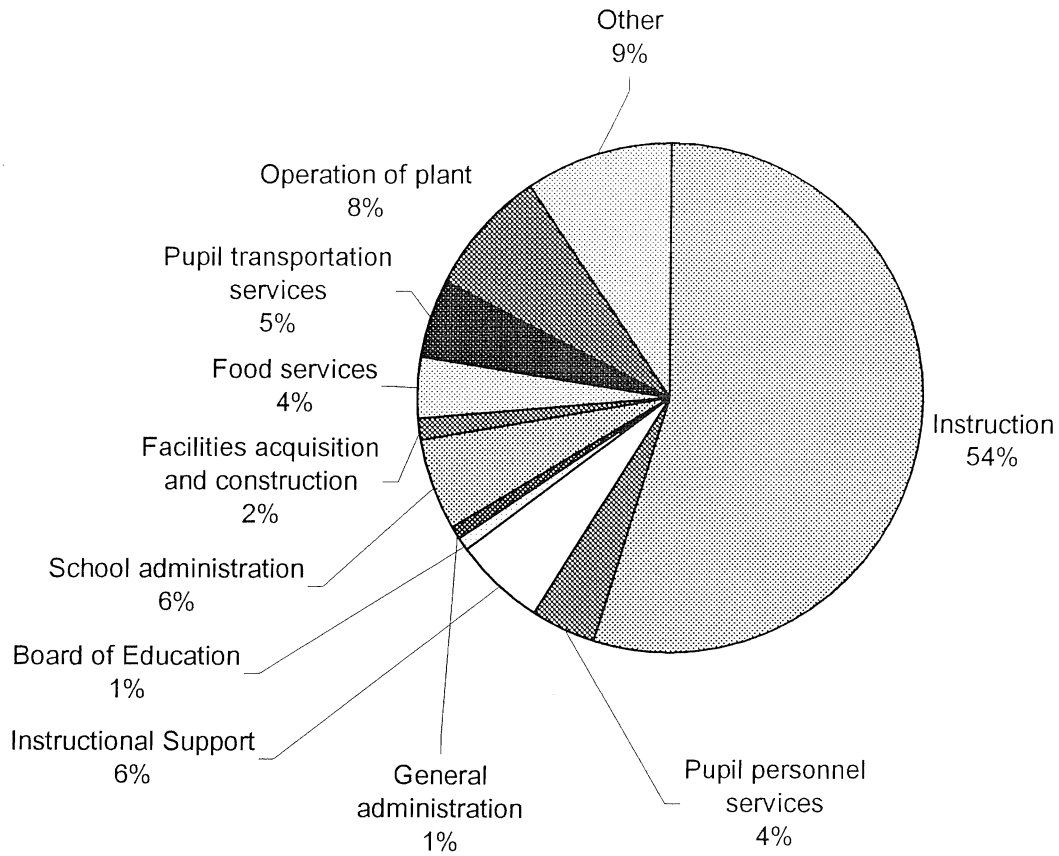
Changes in Net Assets - The table below shows the changes in net assets for 2005 and 2006.

Grants and contributions not restricted to specific programs	423,705,921	424,166,998
Unrestricted Investment Earnings	10,077,305	12,529,995
Miscellaneous	13,262,903	15,863,104
	<u>961,630,008</u>	<u>1,052,585,362</u>
Expenses		
Instruction	481,596,574	532,137,744
Pupil personnel services	38,044,280	40,608,077
Instructional media services	12,661,832	13,269,918
Instruction and curriculum development services	32,319,670	36,629,934
Instructional staff training services	5,830,488	6,657,605
Instructional technology	-	1,187,529
Board of Education	1,242,771	1,314,694
General administration	8,544,996	8,544,312
School administration	52,838,301	55,171,928
Facilities acquisition and construction	19,171,248	16,317,564
Fiscal services	4,462,782	3,603,398
Food services	34,525,246	37,532,461
Central services	18,816,411	13,627,278
Pupil transportation services	40,506,156	46,407,021
Operation of plant	75,493,957	79,608,079
Maintenance of plant	25,547,487	27,236,919
Administrative technology services	-	5,140,480
Community services	1,843,560	2,058,791
Interest on long-term debt	3,103,674	4,851,433
Loss on disposal of capital assets	13,635,218	4,518,179
Unallocated depreciation	25,641,103	33,626,347
Total Expenses	<u>895,825,754</u>	<u>970,049,691</u>
Increase in Net assets	<u>65,804,253</u>	<u>82,535,671</u>
Net assets, July 1, as previously reported	1,503,436,586	1,569,240,870
Prior period adjustment	-	(4,851,096)
Net assets, July 1, 2005 as restated	<u>1,503,436,586</u>	<u>1,564,389,774</u>
Net assets, June 30	<u>\$ 1,569,240,839</u>	<u>\$ 1,646,925,445</u>

Revenue by Source – Governmental Activities
Period Ended June 30, 2006



Expenses by Source – Governmental Activities
Period Ended June 30, 2006



Financial Analysis of Individual Funds

The District completed the year with a total governmental fund balance of \$285.1 million, an increase of \$53.3 million over 2005 fund balance of \$231.8 million.

The General Fund had a \$ 5.1 million decrease in fund balance to \$50.6 million.

The other major capital outlay funds changed as follows:

- Capital Improvement Section 236.25(2) Fund increased \$62.7 million to \$200.3 million. This increase is a result of revenues received in anticipation of impending construction needs.

Other Governmental Funds also experienced a reduction of fund balance from \$38.5 million in 2005 to \$34.2 million in 2006.

Budget Variance in the General Fund

Overall actual revenue exceeded budgeted by a very small amount. This change was due to a very small increase in local revenue. Appropriations experienced a decrease from original budget to final. The financial model used by the District to predict future needs suggested some realignment resulting in reduced expenditures to “live within our needs”. This action was in part perpetuated by the proposed legislative funding, which was under consideration that was deemed insufficient to meet future District needs.

Capital Assets and Long-Term Debt

Capital Assets

By the end of fiscal year 2006, the District had invested \$2.0 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net increase of \$71.5 million from 2005. More detailed information concerning capital assets can be found in Note 6 to the financial statements. Accumulated depreciation on these assets totaled almost \$524.8 million.

- Asset acquisitions totaled \$263.6 million.
- The District disposed of \$14.9 million in assets.
- The net change to construction in progress reflected a decrease of \$162.8 million.
- The District recognized depreciation expense of \$53.6 million for the year.

Capital Assets

	2005	2006
Land	\$ 85,013,182	\$ 86,401,342
Land Improvements - Non Depreciable	20,688,297	22,717,599
Construction in Progress	178,274,293	15,401,514
Buildings and Fixed Equipment	1,456,961,874	1,677,948,095
Furniture Fixtures and Equipment	154,318,102	158,311,799
Motor Vehicles	46,137,590	50,347,019
Audio Visual and Computer Software	11,571,932	12,680,361
Property Under Capital Lease	3,112,850	3,781,975
Total Capital Assets	1,956,078,120	2,027,589,704
Accumulated Depreciation	(481,659,566)	(524,821,266)
Total Net Capital Assets	<u>\$ 1,474,418,554</u>	<u>\$ 1,502,768,438</u>

Long-Term Debt

At year-end, the District had \$169.6 million in general obligation bonds and other long-term debt outstanding – a decrease of 0.4% from last year. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

Outstanding Long-Term Obligations

	2005	2006	Percentage Change
General Obligation Debt	\$ 40,435,000	\$ 38,595,000	-4.6%
Compensated absences	104,774,536	105,215,262	0.4%
Capital lease	2,571,971	2,749,301	6.9%
Insurance claims	22,444,821	22,978,072	2.4%
Other	145,994	72,997	-50.0%
Total	<u>\$ 170,372,322</u>	<u>\$ 169,610,632</u>	<u>-0.4%</u>

Significant Economic Factors

The District continues to endure funding challenges. In order to restore the District's reserves to an acceptable level, the board has undertaken spending cuts of approximately \$17 million.

Requests for Information

This financial report is designed to provide a general overview of the Pinellas 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 the Director of Accounting, Pinellas County District School Board, Post Office Box 2942, Largo, FL 33779-2942.

Basic Financial Statements

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Statement of Net Assets

June 30, 2006

	Primary Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 5,162,622	\$ 1,314,594
Investments	305,267,766	8,303,372
Accounts receivable, net	562,959	216,810
Interest receivable	1,472,559	-
Promises to give	-	2,580,658
Charitable remainder trust	-	376,234
Deposits receivable	6,934	24,741
Due from other agencies	22,224,585	17,347,064
Prepaid expenses and other	12,007,258	5,766
Inventories	5,487,395	-
Capital assets:		
Nondepreciable	124,520,454	-
Depreciable	1,378,247,984	366,861
Total assets	<u>1,854,960,516</u>	<u>30,536,100</u>
Liabilities		
Salaries and benefits payable	6,041,843	-
Payroll deductions and withholdings	15,712,953	-
Accounts payable	7,405,301	138,750
Construction contracts payable	7,666,836	-
Due to other agencies	1,490,053	99,065
Sales tax payable	2,588	-
Deferred revenue	104,865	-
Obligations under split interest agreements	-	228,770
Noncurrent liabilities:		
Portion due within one year:		
Liability for compensated absences	11,129,213	-
Bonds payable	1,930,000	-
Other liabilities	72,997	-
Obligations under capital leases	481,555	-
Estimated liability for long term claims	4,500,000	-
Portion due after one year:		
Liability for compensated absences	94,086,049	-
Bonds payable	36,665,000	-
Obligations under capital leases	2,267,746	-
Estimated liability for long term claims	18,478,072	-
Total liabilities	<u>208,035,071</u>	<u>466,585</u>
Net assets		
Invested in capital assets, net of related debt	1,461,424,136	322,346
Restricted for:		
State categorical programs	4,317,480	-
Debt service	1,057,173	-
Capital projects	222,175,171	53,911
Endowment-nonexpendable	150,165	3,976,200
Other purposes	-	25,136,071
Unrestricted	(42,198,680)	580,987
Total net assets	<u>\$ 1,646,925,445</u>	<u>\$ 30,069,515</u>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities Component Units
Primary government:					
Governmental activities:					
Instruction	\$ 532,137,744	\$ 2,287,615	\$ -	\$ -	\$ -
Pupil personnel services	40,608,077	-	-	-	(529,850,129)
Instructional media services	13,269,918	-	-	-	(40,608,077)
Instruction and curriculum development services	36,629,932	-	-	-	(13,269,918)
Instructional staff training services	6,657,605	-	-	-	(36,629,932)
Instructional related technology	1,187,529	-	-	-	(6,657,605)
Board of Education	1,314,694	-	-	-	(1,187,529)
General administration	8,544,312	-	-	-	(1,314,694)
School administration	55,171,928	-	-	-	(8,544,312)
Facilities acquisition and construction	16,317,564	-	-	-	(55,171,928)
Fiscal services	3,603,398	-	-	9,948,048	(6,369,516)
Food services	37,532,461	-	-	-	(3,603,398)
Central services	13,627,278	16,855,042	20,722,770	-	45,351
Pupil transportation services	46,407,021	747,817	-	-	(12,879,461)
Operation of plant	79,608,079	2,208,284	18,823,329	-	(25,375,408)
Maintenance of plant	27,236,919	-	-	-	(79,608,079)
Administrative technology services	5,140,480	-	-	11,184,887	(16,052,032)
Community services	2,058,791	-	-	-	(5,140,480)
Interest on long-term debt	4,851,433	-	-	-	(2,058,791)
Loss on disposal of fixed assets	4,518,181	-	-	3,994,458	(856,975)
Unallocated depreciation*	33,626,347	-	-	-	(4,518,181)
Total government activities	970,049,691	22,098,758	39,546,099	25,127,393	(33,626,347)
Total primary government	\$ 970,049,691	\$ 22,098,758	\$ 39,546,099	\$ 25,127,393	-(883,277,441)
Component Units:					
Educational Foundation	\$ 3,573,792	\$ -	\$ 5,870,214	\$ -	2,296,422
Charter schools	5,412,060	57,702	645,528	88,391	(4,620,439)
Total Component Units	\$ 8,985,852	\$ 57,702	\$ 6,515,742	\$ 88,391	-(2,324,017)
		General revenues:			
		Property taxes, levied for operational purposes			
		Property taxes, levied for capital projects			388,559,720
		Local sales taxes			121,731,719
		Grants and contributions not restricted for specific programs			2,961,576
		Unrestricted investment earnings			424,166,998
		Miscellaneous			12,529,995
		Permanently restricted contributions			15,863,104
		Total general revenues and permanently restricted contributions			-
		Change in net assets			965,813,112
		Net assets - July 1, 2005, as previously reported			82,535,671
		Prior period adjustment			1,569,240,870
		Net assets - July 1, 2005 as restated			(4,851,096)
					25,919,530
					25,919,530
					\$ 30,069,515

* This amount excludes the depreciation that is allocated in the direct expenses of the various programs.

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Balance Sheet
Governmental Funds
June 30, 2006**

	General	Capital Improvement Section 1011.71(2) Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,140,752	\$ 3,622,159	\$ 355,045	\$ 5,117,956
Investments	45,624,762	210,620,476	24,745,798	280,991,036
Accounts receivable, net	405,405	5,392	18,144	428,941
Interest receivable	288,205	917,919	125,378	1,331,502
Deposits receivable	6,934	-	-	6,934
Due from other funds	26,330,468	9,292,395	1,641,686	37,264,549
Due from other agencies	3,342,949	301,559	18,580,077	22,224,585
Inventories	3,954,938	-	1,532,457	5,487,395
Prepaid items and other	12,007,166	-	92	12,007,258
Total assets	\$ 93,101,579	\$ 224,759,900	\$ 46,998,677	\$ 364,860,156
Liabilities and fund balances				
Liabilities:				
Salaries and benefits payable	\$ 6,041,843	\$ -	\$ -	\$ 6,041,843
Payroll deductions and withholdings	14,780,581	-	932,372	15,712,953
Accounts payable	2,351,024	3,466,814	1,476,310	7,294,148
Construction contracts payable	621	6,401,660	1,264,555	7,666,836
Deposits payable	8,397	-	-	8,397
Sales taxes payable	2,588	-	-	2,588
Due to other agencies	1,291,571	-	198,482	1,490,053
Due to other funds	18,069,056	14,601,748	8,776,526	41,447,330
Deferred revenue	324	-	104,540	104,864
Total liabilities	42,546,005	24,470,222	12,752,785	79,769,012
Fund balances:				
Reserved:				
State categorical programs	4,317,481	-	-	4,317,481
Encumbrances	6,299,054	49,427,755	13,523,194	69,250,003
Inventories	3,954,938	-	1,532,457	5,487,395
Debt service	-	-	1,057,173	1,057,173
Unreserved:				
General fund	35,984,101	-	-	35,984,101
Special revenue funds	-	-	3,120,317	3,120,317
Capital project funds	-	150,861,923	14,862,586	165,724,509
Debt Service	-	-	150,165	150,165
Total fund balances	50,555,574	200,289,678	34,245,892	285,091,144
Total liabilities and fund balances	\$ 93,101,579	\$ 224,759,900	\$ 46,998,677	\$ 364,860,156

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2006**

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

Total fund balance - Governmental Funds

\$ 285,091,144

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

1,502,768,437

The internal service fund is used by management to charge the costs of insurance to individuals funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

5,698,624

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consists of:

Liability for compensated absences	105,215,262
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Bonds payable	38,595,000
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Other long-term liabilities	72,997
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Obligations under capital leases	2,749,501
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(146,632,760)

Total net assets - Governmental Activities

\$ 1,646,925,445

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2006

	General	Capital Improvement Section 1011.71(2) Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal direct	\$ 247,731	\$ -	\$ 5,045,300	\$ 5,293,031
Federal through state	3,245,132	-	96,311,449	99,556,581
State sources	375,104,623	-	18,340,534	393,445,157
Local sources	406,162,843	128,582,719	18,879,091	553,624,653
Total revenues	<u>784,760,329</u>	<u>128,582,719</u>	<u>138,576,374</u>	<u>1,051,919,422</u>
Expenditures				
Current:				
Instruction	487,933,233	-	37,466,794	525,400,027
Pupil personnel services	34,163,130	-	6,264,623	40,427,753
Instructional media services	12,587,407	-	494,998	13,082,405
Instruction and curriculum development services	14,880,916	-	21,468,495	36,349,411
Instructional staff training services	2,657,453	-	3,627,735	6,285,188
Instruction related technology	1,186,293	-	439	1,186,732
Board	1,308,300	-	-	1,308,300
General administration	5,664,467	-	2,779,935	8,444,402
School administration	54,826,967	-	230,210	55,057,177
Facilities acquisition and construction	773,299	-	72,345	845,644
Fiscal services	3,542,928	-	39,309	3,582,237
Food services	244,875	-	36,786,030	37,030,905
Central services	11,951,647	-	1,380,679	13,332,326
Pupil transportation services	46,033,389	-	66,104	46,099,493
Operation of plant	79,197,719	-	189,470	79,387,189
Maintenance of plant	27,029,952	-	110	27,030,062
Administrative technology services	5,139,919	-	-	5,139,919
Community services	824,864	-	1,202,011	2,026,875
Capital outlay:				
Facilities acquisition and construction	236,877	59,743,565	18,240,670	78,221,112
Other capital outlay	5,921,972	-	6,500,550	12,422,522
Debt service:				
Principal	58,650	284,553	1,840,000	2,183,203
Interest and fees	2,561,222	85,800	2,204,411	4,851,433
Total expenditures	<u>798,725,479</u>	<u>60,113,918</u>	<u>140,854,918</u>	<u>999,694,315</u>
Revenues in excess of (under) expenditures	<u>(13,965,150)</u>	<u>68,468,801</u>	<u>(2,278,544)</u>	<u>52,225,107</u>
Other financing sources (uses)				
Loss recoveries	559,159	106,781	-	665,940
Transfers in	8,285,000	-	-	8,285,000
Transfers out	-	(5,860,000)	(2,025,000)	(7,885,000)
Total other financing sources (uses)	<u>8,844,159</u>	<u>(5,753,219)</u>	<u>(2,025,000)</u>	<u>1,065,940</u>
Net change in fund balances	(5,120,991)	62,715,582	(4,303,544)	53,291,047
Fund balances - July 1, 2005	<u>55,676,565</u>	<u>137,574,096</u>	<u>38,549,436</u>	<u>231,800,097</u>
Fund balances - June 30, 2006	<u>\$ 50,555,574</u>	<u>\$ 200,289,678</u>	<u>\$ 34,245,892</u>	<u>\$ 285,091,144</u>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2006**

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

Net change in fund balances - Total Governmental Funds	\$ 53,291,047
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	33,089,452
The loss on disposal of capital assets during the current period was reported in the statement of activities. The cost of these assets was recognized as an expenditure in the governmental funds in the year of purchase.	(4,518,181)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,183,203
In the statement of activities the cost of compensated absences is measured by the amounts earned during the year, while the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the amount of vacation and sick leave earned in excess of the amount used in the period.	(440,725)
The internal service fund was used by management to charge the costs of certain activities, such as insurance, to individual funds. The net income of the internal service fund was reported with governmental activities.	(400,000)
Certain capital assets acquired during the current period were financed with a capital lease. The capital lease was reported in the governmental funds as a source of funding. However, in the statement of net assets the capital lease was recorded as a long term liability.	<u>(669,125)</u>
Change in net assets of Governmental Activities	<u><u>\$ 82,535,671</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Statement of Net Assets

Proprietary Fund

June 30, 2006

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 44,666
Investments	24,276,730
Accounts receivable, net	133,900
Interest receivable	141,057
Due from other funds	5,418,298
Total assets	<u>\$ 30,014,651</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 102,557
Due to other funds	402,793
Current portion long term claims	4,500,000
Total current liabilities	<u>5,005,350</u>
Long term claims	<u>18,478,072</u>
Total liabilities	<u>23,483,422</u>
Net assets:	
Unrestricted	<u>6,531,229</u>
Total net assets	<u>6,531,229</u>
Total liabilities and net assets	<u>\$ 30,014,651</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Proprietary Fund
Year Ended June 30, 2006**

	Governmental Activities Internal Service Fund
Operating revenues	
Premium revenue	\$ 7,804,291
Other	154,540
Total operating revenues	<u>7,958,831</u>
Operating expenses	
Other expenses	<u>7,804,291</u>
Operating income	154,540
Nonoperating revenue	
Interest revenue	678,067
Transfers out	<u>(400,000)</u>
Change in net assets	432,607
Total net assets - July 1, 2005	<u>6,098,622</u>
Total net assets - June 30, 2006	<u><u>\$ 6,531,229</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2006**

	Governmental Activities
	Internal Service Fund
Operating activities	
Cash received from General and other funds	\$ 6,544,788
Cash payments for interfund services used	(4,574,441)
Net cash provided by operating activities	<u>1,970,347</u>
Noncapital Financing Activities	
Transfers to other funds	(400,000)
Net cash (used) for financing activities	<u>(400,000)</u>
Investing activities	
Proceeds from the sale and maturities of investments	26,668,144
Interest and dividend received	678,067
Purchase of investments	(28,920,605)
Net cash (used) in investing activities	<u>(1,574,394)</u>
Net decrease in cash and cash equivalents	(4,047)
Cash and cash equivalents- July 1, 2005	<u>48,713</u>
Cash and cash equivalents- June 30, 2006	<u><u>\$ 44,666</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>154,540</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities	
Decrease in accounts receivable	231,317
Increase in interest receivable	(43,829)
Decrease in due from other funds	594,891
Increase in estimated insurance claims payable	533,251
Increase in accounts payable	99,767
Increase in due to other funds	400,410
Total adjustments	<u>1,815,807</u>
Net cash provided by operating activities	<u><u>\$ 1,970,347</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	<u>Agency Funds</u>		
	School		Total
	Internal	Agency	Fiduciary
	Funds	Funds	Funds
	(unaudited)		
Assets			
Cash and cash equivalents	\$ 7,177,988	\$ 100	\$ 7,178,088
Investments	-	89,174	89,174
Accounts receivable, net	131,811	-	131,811
Interest receivable	-	136	136
Due from other funds	56,812	781	57,593
Total assets	<u>\$ 7,366,611</u>	<u>\$ 90,191</u>	<u>7,456,802</u>
Liabilities			
Accounts payable	\$ 61,490	\$ -	\$ 61,490
Due to other agencies	-	87,568	87,568
Internal accounts payable	6,417,427	-	6,417,427
Due to other funds	887,694	2,623	890,317
Total liabilities	<u>\$ 7,366,611</u>	<u>\$ 90,191</u>	<u>\$ 7,456,802</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The District School Board of Pinellas, Florida (the District) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida System of Public Education. The governing body of the District is the Pinellas District School Board (the School Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. The general operating authority of the School Board and Superintendent is contained in Chapters 1000 through 1013 of the Florida Statutes. Geographic boundaries of the District correspond with those of Pinellas County.

Pursuant to Section 1010.01, the financial records and accounts of each school district, community college, university, and other institution or agency under the supervision of the State Board of Education shall be prepared and maintained as prescribed by law and rules of the State Board of Education.

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 provide for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

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

- *Discretely Presented Component Units* - The component unit columns in the basic financial statements include the financial data of the District's component units. These component units consist of the Pinellas County Education Foundation, Inc., and the following Charter Schools: Academie Da Vinci Charter School, Inc., The Athenian Academy Charter School, Inc., the Pinellas Preparatory Academy, Inc., the Plato Academy Charter School and the Life Skills Center Pinellas County, Inc.

The Pinellas County Education Foundation, Inc. (the Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes. The Pinellas County Education Foundation receives, holds, invests and administers property and makes expenditures to or for the benefit of the District. An annual post audit of the organizations' financial statements was conducted by an independent certified public accountant and is filed in the District's administrative office.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

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 Pinellas County District School Board. Audits of the financial statements for the Charter Schools were conducted by independent certified public accountants and are filed in the District's administrative offices.

Basis of Presentation

Government-wide Financial Statements – Government-wide financial statements, including the statement of net assets and statement of activities, present information about the 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, which can be associated with a specific program or activity, are allocated to the related function, while remaining depreciation expense is reported as unallocated.

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

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

Fund Financial Statements – Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major 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, 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

- *Capital Projects - Capital Improvement Fund* – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

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

- *Internal Service Fund* – to account for the District's individual self-insurance programs.
- *Agency Funds* - to account for the resources of the school internal funds which are used to administer moneys collected at schools in connection with school, student athletic, class, and club activities. In addition, the agency funds account for resources held by the District as custodian for others.

Basis of Accounting

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 21 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. The principal exceptions to this general rule are: (1) prepaid items are generally not accrued; (2) interest on long-term debt is recognized as expenditures when due; and (3) expenditures related to liabilities reported as long-term debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for workers' compensation, general liability, and auto liability self-insurance and claims. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Pinellas County Education Foundation, Inc., shown as a discretely presented component unit, uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Deposit and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts.

Investments consist of 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 214.57, Florida Statutes. The District's investments in the Local Government Surplus Trust Fund, a Securities and Exchange Commission-Rule 2a7-like external investment pool, are reported at amortized cost.

Investments made locally consist of U.S. Agency Securities, collateralized mortgage obligations, corporate asset backed securities, and money market funds are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving average basis, except the United States Department of Agriculture surplus commodities are stated at their fair value, as determined at the time of donation to the District's food service program by the Florida Department of Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used, rather than when purchased.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and fixed equipment	50 years
Furniture, fixtures and equipment	5 – 20 years
Motor vehicles	5 – 15 years
Audio visual materials and computer software	5 – 10 years

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

Long Term Liabilities

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation 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 portion of compensated absences expected to be paid using expendable available resources.

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. 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 (PECO) money, to the District on an annual basis. The District also received an allocation under the lottery-funded Public School Capital Outlay Program (commonly called Classrooms First Program). 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 and Classrooms First Program funds 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 Pinellas County Property Appraiser and are collected by the Pinellas County Tax Collector.

The School Board adopted the 2006 tax levy on September 13, 2005. 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

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 District adopts the tax levy. Property tax revenues are recognized in the government-wide financial statements when the District receives taxes, except that revenue is accrued for taxes collected by the Pinellas 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.

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.

Use of Estimates

The preparation of the basic financial statements in accordance with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Budgetary Compliance and Accountability

The District 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 major 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements June 30, 2006

Note 2 - Budgetary Compliance and Accountability (continued)

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. However certain state categorical funds and other designated projects carry forward.

Note 3 - Investments

As of June 30, 2006, the District had the following investments and maturities:

Investment	Fair Value	Investment Maturity Groupings				
		6 months or less	Greater than 6 months to 2 years	Greater than 2 years to 4 years	Greater than 4 years to 6 years	Greater than 6 years
Money Market Fund	\$ 52,577	\$ 52,577	\$ -	\$ -	\$ -	\$ -
State Board of Administration Local Gov't Surplus Trust Fund	13,877,628	13,877,628	-	-	-	-
Obligations of United States Government Agencies and Instrumentalities:						
Federal Agency Coupon Securities (1)	57,709,268	21,961,827	35,747,441	-	-	-
Corporate Bonds (1)	2,556,947	2,556,947	-	-	-	-
Core Fund-S/T Gov't Bonds	31,616,968	31,616,968	-	-	-	-
Collateralized Mortgage Obligations - Floating Rate (1)	123,489,704	14,542,335	26,033,038	49,032,316	10,935,756	22,946,259
Federal Agency Mortgage Backed Securities (1)	34,368,907	-	-	4,828,285	29,540,622	-
Federal Agency Float Rate Securities (1)	41,684,941	994,583	24,557,747	16,132,611	-	-
Total Investments Primary Government	<u>\$ 305,356,940</u>	<u>\$ 85,602,865</u>	<u>\$ 86,338,226</u>	<u>\$ 69,993,212</u>	<u>\$ 40,476,378</u>	<u>\$ 22,946,259</u>

- Notes: (1) The District uses the modified duration method to determine maturities for these investments.
- (2) Information regarding the maturities, risks, and ratings associated with these investments in short-term investments, mutual funds, foreign government obligations, U.S. Government obligations, stocks, and bonds was not disclosed in the annual postaudit of the Pinellas Education Foundation, Inc. filed in the District's administrative offices. There were no other investments reported by the District's remaining component units.

Section 218.415, Florida Statutes, limits the types of investments that the District can invest in, unless specifically authorized in District policy.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 3 - Investments (continued)

Interest Rate Risk

- District policies limit the length of investments as follows: (1) the weighted average duration of the investment portfolio shall not exceed five years and (2) the maximum duration of any security purchased shall not exceed eight years. The District uses modified duration to determine the maturity of its investments in obligations of United States Government Agencies and Instrumentalities.
- The District has \$160,415,557 in obligations of United States Government Agencies and Instrumentalities that include embedded options consisting of the option at the discretion of the issuer to call their obligation. These securities have various call dates and mature between July 2006 and March 2011 (modified duration maturity dates).

As of June 30, 2006, the District had the following interest rate risk by Fund:

	% of Total	Fair Value	Investment Maturity Groupings				
			6 months or less	Greater than 6 months to 2 years	Greater than 2 years to 4 years	Greater than 4 years to 6 years	Greater than 6 years
Investment							
Major Governmental Funds:							
General Fund	16%	\$ 47,317,400	\$ 13,244,361	\$ 13,409,593	\$ 10,840,549	\$ 6,268,981	\$ 3,553,917
Capital Project Fund:							
Capital Improvement Section 1011.71(2) Fund	73%	223,680,402	62,404,171	63,428,031	51,276,327	29,652,590	16,810,200
Nonmajor Governmental Funds	3%	9,993,234	2,797,153	2,832,049	2,289,478	1,323,982	750,572
Proprietary Fund:							
Internal Service Fund	8%	24,276,730	6,780,418	6,885,750	5,566,560	3,219,086	1,824,916
Fiduciary Funds:							
Agency Funds	0%	89,174	25,375	25,108	20,298	11,738	6,654
Total Investments Primary Government	100%	305,356,940	85,251,477	86,580,531	69,993,212	40,476,378	22,946,259

Credit Risk

District policies allow for investments in:

- Direct obligations of the United States Treasury and obligations of Federal Agencies and Instrumentalities. The District's investments in obligations of United States Government Agencies and Instrumentalities totaling \$259,862,344 are reported at fair value. These investments were rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.
- Money market funds with the highest credit quality rating from a nationally recognized rating agency. As of June 30, 2006, the District has investments in the Evergreen Institutional Treasury Money market Fund with a fair value of \$52,577. This fund was rated AAA by Standard and Poor's and Aaa by moody's Investor Services.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 3 - Investments (continued)

- Securities of any open-end or closed-end management type investment company or investment trust provided the portfolio of such investment company is limited to obligations of the United States Government or any agency or instrumentality thereof. The District has investments with a fair value of \$31,616,968 in the Core Fund at June 30, 2006. The Core Fund is a short-term U.S. government bond fund. This fund was rated AAA+ by Standard and Poor's.
- The \$13,877,628 investments in the State Board of Administration Local Government Surplus Funds Trust Fund were unrated.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

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's investment policy addresses selection and approval of investment institutions and dealers, as well as requirements for third-party custodial agreements to address custodial credit risk.
- The District's investments totaling \$259,862,344 in obligations of United States Government Agencies and Instrumentalities are held by the District's custodial agent in the name of the District.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 3 - Investments (continued)

Concentration of Credit Risk

- The District's policies limit the invested value of any single issue to 5 percent of the total invested value of the managed investment program. The District had investments that represent 5 percent or more of total investments (excluding obligations with the explicit guarantee of the U.S. government, investment pools, and money market funds) as of June 30, 2006, as follows:

Issuer	Fair Value	Percent of Total Investments, Primary Government
Federal Home Loan Mortgage Corporation	\$ 112,859,540	37%
Federal Home Loan Bank	39,639,940	13%
Federal National Mortgage Association	54,402,620	18%
	<u>\$ 206,902,100</u>	

Note 4 - Interfund Receivables, Payables and Transfers

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

	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 26,330,468	\$ 18,069,056
Capital Projects:		
Capital Improvement Section 236.25(2)	9,292,395	14,601,748
Nonmajor Governmental Funds	1,641,686	8,776,526
Internal Service Funds	5,418,299	402,793
Fiduciary Funds	57,592	890,317
	<u>\$ 42,740,440</u>	<u>\$ 42,740,440</u>

Interfund balances are a result of: June charges for warehouse deliveries, central printing services and maintenance work orders; adjustment of self insurance reserves; capital outlay transfers to the general fund; reclassifications of expenditures between capital project funds; and short term cash flow borrowing. All balances are expected to be repaid within one year.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 4 - Interfund Receivables, Payables and Transfers (continued)

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

	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 8,285,000	\$ -
Capital Projects:		
Capital Improvement Section 236.25(2)	-	5,860,000
Nonmajor Governmental	-	2,025,000
Internal Service Funds	-	400,000
	<u>\$ 8,285,000</u>	<u>\$ 8,285,000</u>

The \$5,860,000 transfer made from the Capital Improvement Section 236.25(2) Fund was to cover capital outlay expenditures that were incurred in the General Fund. The \$2,025,000 transfer from the Other Capital Projects Fund to the Capital Improvement Section 236.25(2) Fund was to cover capital outlay costs incurred.

Note 5 - Property Taxes

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-2006 fiscal year:

	Millages	Taxes Levied
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.191	\$ 326,463,767
Basic Discretionary Local Effort	0.510	32,074,075
Supplement Discretionary Operating Local Effort	0.189	11,886,275
Voted School Tax		
Local Referendum	0.500	31,445,171
Total General Fund:	<u>6.390</u>	<u>401,869,288</u>
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>125,780,684</u>
Total General and Capital Funds:	<u>8.390</u>	<u>\$ 527,649,972</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements June 30, 2006

Note 6 - Changes in Capital Assets

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 85,013,182	\$ 1,388,160	\$ -	\$ 86,401,342
Land Improvements - Non-depreciable	20,688,297	2,029,302	-	22,717,599
Construction in Progress	178,274,293	14,281,958	177,154,737	15,401,514
Total Capital Assets Not Being Depreciated	283,975,772	17,699,419	177,154,737	124,520,454
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	1,456,961,874	220,986,221	-	1,677,948,095
Furniture, Fixtures and Equipment	154,318,102	16,821,926	12,828,228	158,311,800
Motor Vehicles	46,137,590	4,538,407	328,978	50,347,019
Property Under Capital Lease	3,112,850	669,125	-	3,781,975
Audio Visual and Computer Software	11,571,932	2,876,223	1,767,794	12,680,361
Total Capital Assets Being Depreciated	1,672,102,348	245,891,902	14,925,000	1,903,069,250
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	344,665,648 *	34,037,997	-	378,703,645
Furniture, Fixtures and Equipment	104,267,310	14,320,011	10,181,038	108,406,282
Motor Vehicles	25,124,409	3,172,033	225,783	28,070,659
Property Under Capital Lease	518,808	259,404	-	778,212
Audio Visual and Computer Software	7,083,391	1,779,076	-	8,862,467
Total Accumulated Depreciation	481,659,566	53,568,521	10,406,821	524,821,266
Total Capital Assets Being Depreciated, Net	1,190,442,782	192,323,381	4,518,179	1,378,247,984
Governmental Activities Capital Assets, Net	\$ 1,474,418,554	\$ 210,022,801	\$ 181,672,916	\$ 1,502,768,438

* The amount includes the effect of a \$4,851,096 prior period adjustment – see Note 18.

The classes of property under capital leases are presented in Note 1.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 6 - Changes In Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Instruction	\$ 6,499,125
Pupil personnel services	157,334
Instructional media services	178,979
Instruction and curriculum development services	270,471
Instructional staff training	370,576
Board of Education	5,511
General administration	95,997
School administration	77,895
Facilities acquisition and construction	10,816,454
Fiscal services	18,767
Food service	501,392
Central services	286,889
Pupil transportation services	276,578
Operation of plant	167,629
Maintenance of plant	188,421
Community of services	30,156
Unallocated	<u>33,626,347</u>
Total depreciation expense - governmental activities	<u><u>\$ 53,568,521</u></u>

Note 7 - Changes in Short-Term Debt

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Tax anticipated notes	<u>\$ -</u>	<u>\$ 89,000,000</u>	<u>\$ 89,000,000</u>	<u>\$ -</u>
Total Government Activities	<u><u>\$ -</u></u>	<u><u>\$ 89,000,000</u></u>	<u><u>\$ 89,000,000</u></u>	<u><u>\$ -</u></u>

Tax anticipation notes were sold for the payment of operating expenses incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes. The notes carried an interest rate of three percent.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 8 - Obligations Under Capital Leases

The assets acquired through capital lease for governmental activities were for buses of \$3,112,850 and for technology of \$669,125.

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

	Total	Principal	Interest
2007	\$ 578,418	\$ 481,555	\$ 96,863
2008	578,005	499,971	78,034
2009	452,781	394,453	58,328
2010	370,353	326,020	44,333
2011	370,352	337,298	33,054
2012-2013	740,705	710,004	30,701
	<u>\$ 3,090,614</u>	<u>\$ 2,749,301</u>	<u>\$ 341,313</u>

The imputed interest rate is 3.43% on the bus leases and 2% on the technology.

Note 9 - Bonds Payable

Bonds payable at June 30, 2006, were as follows:

	Amount	Interest Rates	Maturity
State School Bonds:			
Series 2000-A	\$ 38,080,000	4.625-6%	2020
Series 2001-A	<u>515,000</u>	4.10-5.25%	2021
Total Bonds Payable	<u>\$ 38,595,000</u>		

The State School Bonds were by the State Board of Education (SBE) on behalf of the District to finance capital outlay projects. 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 SBE and the State Board of Administration.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2006**

Note 9 - Bonds Payable (continued)

Annual requirements to amortize the bond debt outstanding as of June 30 are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,044,356	\$ 1,930,000	\$ 2,114,356
2008	4,042,643	2,025,000	2,017,643
2009	4,047,068	2,130,000	1,917,068
2010	4,046,088	2,235,000	1,811,088
2011	4,047,026	2,350,000	1,697,026
2012-2016	20,243,351	13,800,000	6,443,351
2017-2021	16,212,573	14,125,000	2,087,573
	<u>\$ 56,683,105</u>	<u>\$ 38,595,000</u>	<u>\$ 18,088,105</u>

Note 10 - Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental Activities:					
Compensated absences payable	\$ 104,774,536	\$ 12,151,046	\$ 11,710,320	\$ 105,215,262	\$ 11,129,213
Estimated insurance claims payable	22,444,821	4,574,441	4,041,190	22,978,072	4,500,000
Bonds payable	40,435,000	-	1,840,000	38,595,000	1,930,000
Other	145,994	-	72,997	72,997	72,997
Obligations under capital leases	2,571,971	669,125	491,795	2,749,301	481,555
Total	<u>\$ 170,372,322</u>	<u>\$ 17,394,612</u>	<u>\$ 18,156,302</u>	<u>\$ 169,610,632</u>	<u>\$ 18,113,765</u>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 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 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

Note 12 - Schedule of State Revenue Sources

The District's State revenue for the year ended June 30, 2006 follows:

Florida Education Finance Program	\$ 230,762,185
Categorical Educational Program:	
Instructional materials	9,964,256
Student transportation	18,804,659
Excellent teacher	2,497,122
Public school technology	2,089,908
Teacher Training	759,330
Workforce development program	27,089,886
Class Size Reduction	64,082,203
Classrooms for Kids	1,889,207
Gross receipts tax (Public Education Capital Outlay)	11,184,887
Florida school recognition program	6,957,158
District discretionary lottery funds	5,538,169
Motor vehicle license tax (Capital outlay and Debt Service)	4,529,744
Mobile home license tax	714,362
Adults with disabilities	742,591
Florida teachers lead program	754,340
Food service supplement	562,722
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	151,769
Voluntary Pre-K	873,512
Miscellaneous	3,273,897
	<u>\$ 393,445,157</u>

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 13 - State Retirement Program

Plan Description: All regular employees of the District are covered by the Florida Retirement System, 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 Plan eligibility, contributions, and benefits are described in detail.

Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at six years or number of years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with a Florida Retirement system employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

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

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 13 - State Retirement Program (continued)

Funding Policy. The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2005-06 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System:		
Regular	0.00	7.83
County Elected Officers	0.00	15.23
Senior Management Service Class	0.00	10.45
Special Risk	0.00	18.53
Teachers' Retirement System, Plan E		11.35
State and County Officers and Employees'		
Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

Note: (A) Employer rates include the post-employment health insurance supplements of 1.11%. Also, employer rates, other than for DROP participants, include 0.05% 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 in the Plan 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 to the Plan (including employee contributions) for the fiscal years ending June 30, 2004, 2005, and 2006 totaled \$37,942,133, \$37,664,161 and \$44,583,126, respectively, which were equal to the required contributions for each fiscal year.

Note 14 - Tax Deferral Plans and Other Benefits

The District allows employees to participate in a 401(a) qualified retirement plan. Participation is required for employees that are retiring, terminating or entering DROP and have accumulated at least \$2,500 of eligible terminal leave benefits. Contributions to the plan are made on a pre-tax basis. The maximum plan contribution cannot exceed 100% of plan year compensation or \$44,000, whichever is less. In all other years, the maximum plan contribution cannot exceed 100% of plan year salary or \$44,000 whichever is less. Federal income taxes on this compensation are deferred until distributions are taken. Employee contributions to the plan were \$10,818,861 for the period ended June 30, 2006.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 14 - Tax Deferral Plans and Other Benefits (continued)

The District offers eligible employees participation in an optional tax deferred annuity and 457 program. The Internal Revenue Service, under code section 403(b), allows employees of the District to defer a portion of their income from federal income tax. The deferred earnings are placed in an investment vehicle selected by the employee, with the principal and interest tax deferred until withdrawn. The contributions for the tax deferred annuity 403(b) and 457 for the fiscal year ended June 30, 2006 were \$17,233,674 and \$3,123,423 respectively.

The District makes contributions to employee's health insurance payments based upon elected coverage. The total amount contributed on behalf of the employees, for the year ended June 30, 2006 was \$78,325,632.

Note 15 - Construction Contract Commitments

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

<u>Project</u>	<u>Contract Amount</u>	<u>Completed To Date</u>	<u>Balance Committed</u>
Dunedin Elementary			
General Contractor	\$ 10,541,467	\$ 3,602,222	\$ 6,939,245
Architect	668,603	492,632	175,971
High Point Elementary			
General Contractor	17,801,757	5,324,436	12,477,320
Architect	812,347	675,105	137,242
St. Pete High School HVAC			
Architect	<u>813,520</u>	<u>121,000</u>	<u>692,520</u>
Total	<u>\$30,637,694</u>	<u>\$10,215,396</u>	<u>\$20,422,298</u>

Note 16 - 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, students, or visitors; and natural disasters.

The District partners with an insurance broker to obtain insurance coverage for losses that are not appropriate for the District to fully retain as self-insured exposures. The insurance purchased provides coverage for losses in excess of the workers' compensation, liability and property deductibles as well as coverage, subject to a deductible, for other losses which may occur from employment practices, errors and omissions and employee dishonesty, etc. This insurance protection limits the District's risk and financial exposure and provides protection from lawsuits.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2006

Note 16 - Risk Management Programs (continued)

The District contracts with a third party administrator that adjusts workers compensation and liability claims, subrogates claims, represents the District in mediations and assists attorneys with litigation.

At June 30, 2006, a liability of \$22,978,072 was recorded for estimated insurance claims payable for claims incurred but not reported for worker's compensation, general liability and vehicle liability. The estimated insurance claims payable was recorded using the gross method which was actuarially determined.

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

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year</u>
2005	\$ 21,311,113	\$ 7,704,180	\$ (6,570,472)	\$ 22,444,821
2006	\$ 22,444,821	\$ 4,574,441	\$ (4,041,190)	\$ 22,978,072

Property protection, boiler and machinery, errors and omissions, employment practices liabilities, employee dishonesty, and other coverage's deemed necessary by the Board are provided through purchased commercial insurance with deductibles for each line of coverage. In addition, health, dental, life and income protection coverage for District employees were offered through purchased commercial insurance.

Note 17 - Litigation

The District is a party to several lawsuits and claims, which it is vigorously defending. Such matters arise out of the normal course of its operation, some of which are covered by insurance policies. While the results of litigation cannot be predicted with certainty, management believes the final outcome of such litigation will not have a material adverse effect on the District's financial position.

Note 18 - Prior Period Adjustment

Management has determined that depreciation expense on the government wide financial statements was understated for the year ended June 30, 2005. As a result, an adjustment was made to decrease the governmental activities depreciable capital assets by \$4,851,096 with a corresponding decrease in net assets at June 30, 2005.

Required Supplementary Information

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Federal direct	\$ 185,000	\$ 247,731	\$ 247,731	\$ -
Federal through state	2,605,270	3,245,131	3,245,132	1
State sources	378,789,523	375,104,621	375,104,623	2
Local sources	398,522,876	406,168,013	406,162,843	(5,170)
Total revenue	<u>780,102,669</u>	<u>784,765,496</u>	<u>784,760,329</u>	<u>(5,167)</u>
Expenditures				
Current:				
Instruction	502,079,232	490,528,441	487,933,233	2,595,208
Pupil personnel services	33,586,833	34,692,285	34,163,130	529,155
Instructional media services	11,867,106	12,819,296	12,587,407	231,889
Instruction and curriculum development services	14,152,738	15,048,134	14,880,916	167,218
	3,577,320	2,817,872	2,657,453	160,419
Instructional staff training services	2,925,423	1,186,292	1,186,293	(1)
Board of Education	1,504,926	1,337,643	1,308,300	29,343
General administration	5,931,057	5,740,000	5,664,467	75,533
School administration	54,459,639	55,299,558	54,826,967	472,591
Facilities acquisition and construction	4,273,078	811,398	773,299	38,099
Fiscal services	4,734,120	3,585,275	3,542,928	42,347
Food services	-	244,875	244,875	-
Central services	12,723,981	12,291,862	11,951,647	340,215
Pupil transportation services	38,632,006	46,192,201	46,033,389	158,812
Operation of plant	77,383,739	79,502,797	79,197,719	305,078
Maintenance of plant	19,700,885	27,749,047	27,029,952	719,095
Administrative technology services	4,283,119	5,428,463	5,139,919	288,544
Community services	1,579,383	829,077	824,864	4,213
Capital outlay:				
Facilities acquisition and construction	236,877	236,877	236,877	-
Other capital outlay	5,921,972	5,921,972	5,921,972	-
Debt service:				
Interest and fees	515,000	58,650	58,650	-
Dues, fees and issuance costs	-	2,709,814	2,561,222	148,592
Total expenditures	<u>800,068,434</u>	<u>805,031,829</u>	<u>798,725,479</u>	<u>6,306,350</u>
Deficiency of revenues over expenditures	<u>(19,965,765)</u>	<u>(20,266,333)</u>	<u>(13,965,150)</u>	<u>6,301,183</u>
Other financing sources				
Loss recoveries	400,000	559,159	559,159	-
Transfers in	7,400,000	8,285,000	8,285,000	-
Total other financing sources	<u>7,800,000</u>	<u>8,844,159</u>	<u>8,844,159</u>	<u>-</u>
Net change in fund balances	(12,165,765)	(11,422,174)	(5,120,991)	6,301,183
Fund balances - July 1, 2005	<u>55,828,857</u>	<u>55,828,857</u>	<u>55,676,565</u>	<u>(152,292)</u>
Fund balances - June 30, 2006	<u>\$ 43,663,092</u>	<u>\$ 44,406,683</u>	<u>\$ 50,555,574</u>	<u>\$ 6,148,891</u>

Other Supplementary Information

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006**

FEDERAL GRANTOR / PASS-THROUGH GRANT/ PROGRAM TITLE	CFDA Number	Pass - Through Grantor Number	Amount of Expenditure	Amount Provided to Subrecipients
U. S. Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550	N/A	\$ 2,481,817	\$ -
Florida Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	300	14,155,628	-
Summer Food Service Program for Children	10.559	323	168,196	-
School Breakfast Program	10.553	321	3,354,407	-
Total Child Nutrition Cluster			17,678,231	-
Total U. S. Department of Agriculture			20,160,048	-
U. S. Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A	722,278	-
Magnet Schools Assistance	84.165	N/A	2,297,658	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	604,299	-
Fund for the Improvement of Education	84.215	N/A	1,951,380	-
Advanced Placement Program	84.330	N/A	300,927	-
Total Direct Federal Awards			5,876,542	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262/263	27,464,201	-
Special Education - Preschool Grants	84.173	266/267	786,998	-
Total Special Education Cluster			28,251,199	-
Adult Education State Grant Program	84.002	191	887,184	-
Title I Grants to Local Educational Agencies	84.010	212	26,680,315	-
Vocational Education - Basic Grants to States	84.048	151	2,231,480	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	1073	14,176	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	818,478	-
Education for Homeless Children and Youth	84.196	127	45,306	-
Even Start - State Educational Agencies	84.213	219	466,702	-
Charter Schools	84.282	298	500,000	500,000
State Grants for Innovative Programs	84.298	113	495,466	-
Education Technology State Grants	84.318	121	2,151,369	-
Comprehensive School Reform Demonstration	84.332	1280	399,977	-
Reading First State Grants	84.357	2133	5,170,234	-
Voluntary Public School Choice	84.361	299	157,762	-
English Language Acquisition Grants	84.365	1023	516,147	-
Improving Teacher Quality State Grants	84.367	2243	5,478,073	-
Total Indirect Federal Awards			74,263,868	500,000
Total U. S. Department of Education			80,140,410	500,000

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2006

FEDERAL GRANTOR / PASS-THROUGH GRANT/ PROGRAM TITLE	CFDA Number	Pass - Through Grantor Number	Amount of Expenditure	Amount Provided to Subrecipients
U.S. Department of Health and Human Services				
Indirect:				
Florida Department of Health and Human Services Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	N/A	304,486	-
Florida Department of Children and Families Refugee and Entrant Assistance	93.566	N/A	663,180	-
Total U. S. Department of Health and Human Services			967,666	-
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education Learn and Serve America - School and Community Based Programs	94.004	2343	11,418	-
Department of Homeland Security				
Indirect:				
Florida Department of Education:				
State Domestic Preparedness Equipment Support Program	97.004	N/A	71,782	-
State and Local Homeland Security Exercise Support	97.006	N/A	5,425	-
Total U. S. Department of Homeland Security			77,207	-
U. S. Department of Defense:				
Direct:				
JROTC				
Army Junior Reserve Officers Training Corps	None	N/A	144,299	-
Navy Junior Reserve Office Training Corps	None	N/A	53,685	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	49,747	-
Total U. S. Department of Defense			247,731	-
Total Expenditures of Federal Awards			\$ 101,604,480	\$ 500,000

Notes: 1 Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District School Board of Pinellas County, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The amounts have been reconciled to and are in material agreement with the District's accounting records from which the basic financial statements have been prepared.

2 Noncash Assistance: Food Donation

Represents the amount of donated food consumed during the fiscal year. Commodities were valued at fair value at the time of donation.

Compliance and Single Audit



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

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District School Board of Pinellas County, Florida (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 27, 2007. We did not audit the financial statements of the discretely presented component units or the school internal accounts. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as 2006-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above (Finding 2006-01) is not a material weakness.

Compliance and Other Matters

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

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

Ch. B. H. Hall, L.L.P.

St. Petersburg, Florida
April 27, 2007



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

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

Compliance

We have audited the compliance of the District School Board of Pinellas County, Florida (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, 2006. 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs (Finding No. 2006-02).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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

Ch. Burt: Hall, L.L.P.

St. Petersburg, Florida
April 27, 2007

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2006**

Part I – Summary of Audit Results

1. The auditors' report on the governmental activities, each major fund, and the aggregate discretely presented component units expresses unqualified opinions. Due to the exclusion of the school internal accounts from the scope of the audit, we have expressed a qualified opinion on the aggregate remaining fund information.
2. A reportable condition relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The reportable condition was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. A reportable condition in internal control over a major program was reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133; however, the reportable condition was not considered to be a material weakness.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. The programs tested as major programs were as follows:

<u>Name of Program</u>	<u>CFDA #</u>
U.S. Department of Education:	
Federal Pell Grant Program	84.063
Title I – Grants to Local Educational Agencies	84.010
Improving Teacher Quality State Grants	84.367

7. The threshold used to distinguish between Type A and Type B programs was \$3,004,813.
8. The District was determined to be a low risk auditee.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Part II – Findings - Financial Statement Audit

Finding: 2006-01

Depreciation Expense

Criteria: Capital assets on the government-wide financial statements should be depreciated in accordance with generally accepted accounting principles.

Statement of Condition: The director of accounting maintains an excel spreadsheet that accumulates the capital costs of buildings and calculates the accumulated depreciation and depreciation expense. The spreadsheet had several errors which resulted in the amount recorded for depreciation expense being understated in the government-wide financial statement for the years ending June 30, 2005 and 2006 by approximately \$4.8 million and \$6 million respectively. In addition, it appears there is a weakness in internal controls over the excel spreadsheets maintained for each capital asset category to ensure their completeness and accuracy.

Recommendation: We recommend that the internal controls be established to ensure that the capitals assets spreadsheets are complete and accurate. The District may want to consider purchasing a depreciation software package.

Land Improvements – Non-depreciable

Criteria: Expenditures classified as land improvements-non depreciable on the government-wide financial statements should include capital assets that do not lose their value over time.

Statement of Condition: We noted that the District capitalized certain expenditures such as asphalt resurfacing, tennis court resurfacing and resealing, and a fence as land improvements that are non-depreciable. These expenditures should have been classified as repairs and maintenance or in a depreciable capital asset category, as applicable.

Recommendation: We recommend that the District review the detail of land improvements to determine if amounts were incorrectly classified in prior years. In addition, the District should review the capital asset policies and procedures to clearly define the types of expenditures that are capitalized in the depreciable and non-depreciable categories. Controls should be established to monitor and review the accuracy and completeness of amounts recorded as land improvements, non-depreciable.

Reconciliation of Capital Assets

Criteria: Capital assets on the government-wide financial statements should include those assets costing more than \$750, in accordance with the District's policy.

Statement of Condition: A \$2.6 million expenditure for buses, made on June 30, 2006, was not recorded as a capital asset on the governmental-wide financial statements. It appears this error occurred because the District does not reconcile the capital asset subsidiary ledgers to TERMS.

Recommendation: We recommend that the District reconcile the capital asset subsidiary ledgers to TERMS periodically during the fiscal year to ensure the completeness and accuracy of the amounts recorded on the government-wide financial statements.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2006**

Part III – Findings and Questioned Costs – Major Federal Award Programs Audit

U.S. Department of Education

Federal Pell Grant Program

CFDA No.: 84.063

Grantor No: N/A

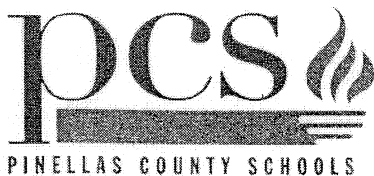
Finding: 2006-02

Eligibility - Internal Control

Criteria: In accordance with OMB Circular A-133, the District is responsible for maintaining internal controls that provide reasonable assurance that the District is managing Federal awards in compliance with applicable regulations.

Statement of Condition: The “2005-2006 Pell Grant Worksheet” (a PTEC internal worksheet) includes a section for eligibility verification that includes the date verified and the initials of the individual that performed the verification. Three of the 25 student files tested did not include this eligibility verification worksheet; however, the District was in compliance with eligibility requirements.

Recommendation: We recommend that greater care be taken to ensure the worksheet is completed appropriately to reflect that the internal control procedure for verifying eligibility has been sufficiently documented.



May 31, 2007

Cherry, Bekaert and Holland, L.L.P.
Attention David Hochsprung, CPA
111 Second Avenue NE, Suite 1200
St Petersburg, FL 33701

Dear Mr. Hochsprung:

The following are the District responses to the Schedule of Findings and Questioned Costs for the audit of the fiscal year ended June 30, 2006.

Finding 2006-01

Depreciation Expense: The district has enhanced its internal control procedures to require analytical review of the depreciation schedules and worksheets prior to the preparation of the financial statements. Additionally the district is evaluating the option of enhancing the TERMS software system to allow for the calculation and maintenance of building subsidiary records including depreciation.

Land Improvements – Non Depreciable: The district, during the 2006-2007 fiscal year established new object codes to accurately classify depreciable and non-depreciable site improvements. A periodic review is conducted of such expenditures to ensure accurate classification.

Reconciliation of Capital Assets: The district, during the 2006-2007 fiscal year developed a process to reconcile the capital asset subsidiary records to TERMS. The reconciliation will be conducted on a periodic basis to ensure that expenditures recorded in terms are accurately reflected in the General Fixed Asset Account Group.

Finding 2006-02

Eligibility – Internal Control: The district will enhance its internal control procedures to ensure the Pell Grant worksheet is completed to verify eligibility has been sufficiently documented.

Sincerely,

Lansing K. Johansen
Chief Business Officer

ADMINISTRATION BUILDING
301 Fourth St. SW
P.O. Box 2942
Largo, FL 33779-2942
(727) 588-6000
Fax (727) 588-6202

SCHOOL BOARD OF
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Vice Chairperson
Nancy N. Bostock

Janet R. Clark
Carol J. Cook
Jane Gallucci
Linda S. Lerner
Peggy L. O'Shea

Superintendent
Dr. Clayton M. Wilcox

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Summary Schedule of Prior Audit Findings Year Ended June 30, 2006

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
June 30, 2004 04-01	Student Financial Assistance Cluster (CFDA 84.033, and 84.063) - Cash Receipts and Disbursements	The District did not perform a reconciliation of Financial Aid receipts to disbursements	Corrected	The District has implemented reconciliation procedures.
04-02	Student Financial Assistance Cluster (CFDA 84.063) - Special Tests and Provisions	One student who withdrew was not timely notified of his or her post-withdrawal disbursements.	Corrected	The District has implemented procedures to ensure timely notification of post withdrawal disbursements.
04-03	Student Financial Assistance Cluster (CFDA 84.033, and 84.063) - Cash Receipts and Disbursements	The District did not performed a reconciliation between the District's financial assistance accounting records maintained at the District office and the those maintained at the PTEC's . In addition, there was no reconciliation between the District and the cost reimbursement requests.	Corrected	The District has implemented reconciliation procedures.
June 30, 2005 05-01	U.S. Department of Education - Cash Management	The District had not remitted interest earnings of \$9,507 on cash advances to the Florida Department of Education	Corrected	The District remitted the interest earnings of \$9,507 on cash advances to the Florida Department of Education.
05-02	School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA No. 10.555) - Special Tests and Provisions - Competitive Food Sales	The District did not comply with the applicable Federal regulations and State rules relating to the sale of competitive food and beverage items. Contrary to State rules, carbonated beverages were sold to students in the cafeteria or in the immediate proximity of the cafeteria at three high schools. Additionally, competitive foods were sold to students outside the authorized times at two of three schools.	Corrected	The District implemented changes to comply with the applicable Federal regulations and State rules relating to the sale of competitive food and beverage items.
05-03	Pell Grant Program (CFDA No. 84.063) - Special Tests and Provisions, Fiscal Administration	The District had not performed a reconciliation between the District's financial assistance accounting records maintained at the District Office, the financial assistance disbursement records maintained at the Pinellas Technical Education Centers, and the Grants and Administration Payment System	Corrected	The District has implemented reconciliation procedures.
05-04	Pell Grant Program (CFDA No. 84.063) - Special Tests and Provisions, Post Withdrawal Disbursement	Improvements were needed in District procedures over the timely notification and disbursement of post withdrawal disbursements for students determined to have earned Pell Grant funds in excess of the funds disbursed at the time of withdrawal.	Corrected	The District has implemented reconciliation procedures.
2006-188 #3	Capital Assets - Subsidiary Records	The District did not maintain adequate detailed subsidiary records for its land improvements and buildings and fixed equipment categories. Additionally, the District did not always properly record and report capital and operating expenditures.	Incomplete	The District has not corrected this finding. See current year audit finding 06-01.
#4	Payments for Accrued Vacation Leave	The District made terminal vacation leave overpayments totaling \$3,057 to eight employees for accrued vacation leave in excess of the amounts allowed by Section 1012.65, Florida Statutes.	Corrected	The District has changed its policy to conform to the Florida Statutes and no longer makes overpayments for terminal vacation leave.

Other Information



Independent Auditors' Management Letter

The Honorable Members of the School Board
District School Board of Pinellas County, Florida
Largo, Florida

We have audited the financial statements of the District School Board of Pinellas County, Florida (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated April 27, 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In accordance with those standards, we have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on the Audit of the Financial Statements Performed in Accordance with Government Auditing Standards dated April 27, 2007, and it should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General. Those rules (Section 10.804(d)1.) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such matters reported in the preceding annual financial audit.

As required by the Rules of the Auditor General (Section 10.804(d)2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District met any of the specified conditions of a financial emergency contained in Section 218.503(1). However, our audit does not provide a legal determination on the District's compliance with this requirement.

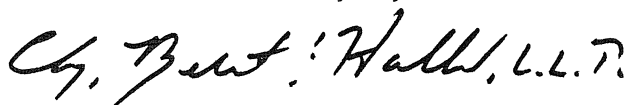
The Rules of the Auditor General (Section 10.804(d)3.) requires disclosure of any recommendations to improve the District present financial management, accounting procedures, and internal controls. See Appendix A to this document for our comments and recommendations.

The Rules of the Auditor General (Section 10.804(d)4.) states that a management letter shall include a statement as to whether or not the District complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District was in noncompliance with Section 218.415 regarding the investment of public funds. However, our audit was not directed toward obtaining knowledge regarding the District's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(d)5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (b) improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements; (c) deficiencies in internal control that are not reportable conditions. See Appendix A to this document for our comments and recommendations.

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

This management letter is intended solely for the information and use of the District's management, specific legislative or regulatory bodies and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ch. Brent Hall, L.L.P." The signature is written in a cursive, flowing style.

St. Petersburg, Florida
April 27, 2007

Appendix A
Current Year Management Letter Comments
June 30, 2006

Purchasing

Physical Access to Bid Files

The bid files are maintained in unlocked filing cabinets located in the common area hallway of the purchasing department, until the public bid opening. We recommend that the purchasing department maintain the files in a more secure location.



ADMINISTRATION BUILDING

301 Fourth St. SW
PO Box 2942
Largo, FL 33779-2942
(727) 588-6000
Fax (727) 588-6202

SCHOOL BOARD OF
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Carol J. Cook
Jane Gelluch
Linda S. Lerner
Peggy L. O'Shea

Superintendent
Dr. Clayton M. Wilcox

May 31, 2007

Cherry, Bekaert and Holland, L.L.P.
Attention David Hochsprung, CPA
111 Second Avenue NE, Suite 1200
St Petersburg, FL 33701

Dear Mr. Hochsprung:

The following is the District response to the Management Letter Comments for fiscal year ended June 30, 2006.

Purchasing

Physical Access to Bid Files: The district will secure the bid files in a locked file cabinet in the same location.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lansing K. Johansen".

Lansing K. Johansen
Chief Business Officer