

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

Year Ended June 30, 2007

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Table of Contents

Page

Independent Auditors' Report..... 1-2

Management's Discussion and Analysis.....3-11

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Assets 12

Statement of Activities 13

Fund Financial Statements:

Balance Sheet - Governmental Funds 14

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets 15

Statement of Revenues, Expenditures and Changes in Fund
Balances - Governmental Funds 16

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities 17

Statement of Net Assets - Proprietary Fund 18

Statement of Revenues, Expenses and Changes in Fund net
Assets – Proprietary Fund 19

Statement of Cash Flows - Proprietary Fund..... 20

Statement of Fiduciary Net Assets – Fiduciary Funds 21

Notes to Financial Statements 22-43

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Table of Contents (continued)

Page

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund.....	44
--	----

Other Supplementary Information

Schedule of Expenditures of Federal Awards.....	45-46
---	-------

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	47-48
--	-------

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	49-50
---	-------

Schedule of Findings and Questioned Costs	51-52
---	-------

Corrective Action Plan	53
------------------------------	----

Summary Schedule of Prior Year's Audit Findings.....	54
--	----

Other Information

Independent Auditors' Management Letter	55-58
---	-------



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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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.

In our opinion, 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, 2007, 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 March 28, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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, 2007 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Bekert & Holland, L.L.P.

St. Petersburg, Florida
March 28, 2008

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.	Modified accrual accounting.	Accrual accounting.	Accrual accounting.
	Economic resources focus.	Current financial resources focus.	Economic resources focus.	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, 2006, as compared to June 30, 2007.

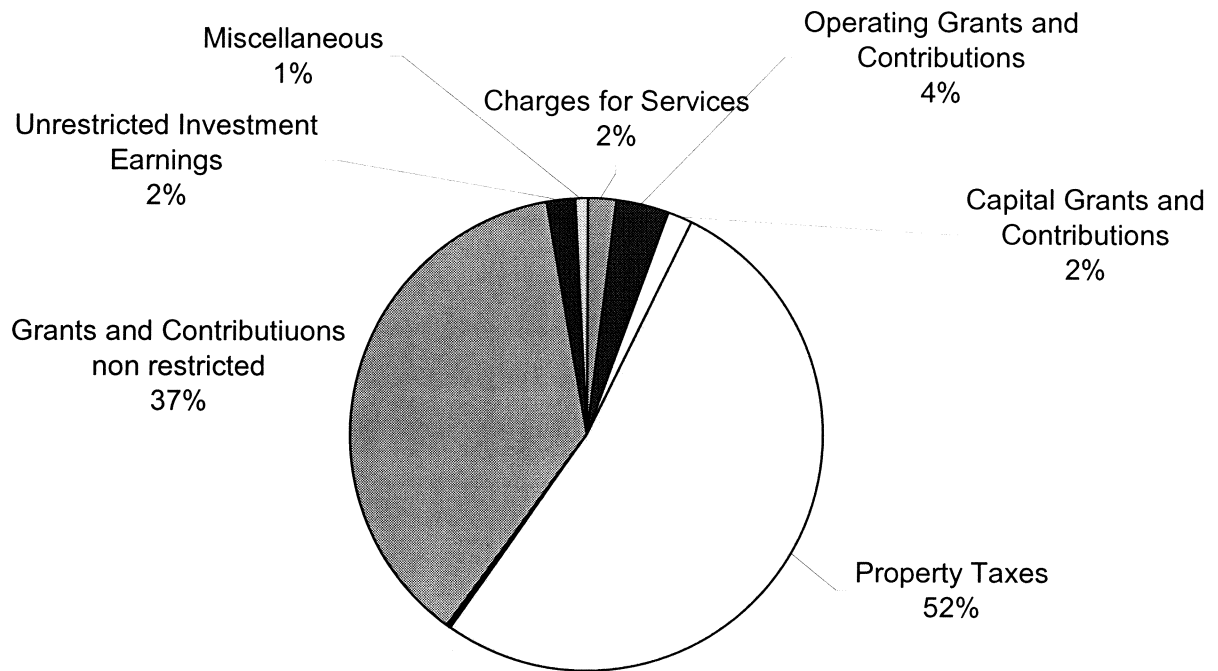
	<u>2006</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current Assets	\$ 352,192,078	\$ 465,075,041	\$112,882,963	
Net Capital Assets	<u>1,502,768,438</u>	<u>1,584,827,629</u>	<u>82,059,191</u>	
Total Assets	<u>\$1,854,960,516</u>	<u>\$2,049,902,670</u>	<u>\$194,942,154</u>	10.51%
Current Liabilities	56,538,204	88,144,702	31,606,498	
Noncurrent Liabilities	<u>151,496,867</u>	<u>185,512,868</u>	<u>34,016,001</u>	
Total Liabilities	<u>208,035,071</u>	<u>273,657,570</u>	<u>65,622,499</u>	31.54%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$1,461,424,136	\$1,529,537,479	\$ 68,113,343	
Restricted	227,699,989	280,932,969	53,232,980	
Unrestricted	<u>(42,198,680)</u>	<u>(34,225,348)</u>	<u>7,973,332</u>	
Total Net Assets	<u>\$1,646,925,445</u>	<u>\$1,776,245,100</u>	<u>\$129,319,655</u>	7.85%

The District's net assets increased 7.85% to \$1.78 billion. This was attributed to a combination of an increase in total assets and an increase in total liabilities. The District reported an unrestricted net asset deficit of \$34.2 million, due to the accounting methodology required by GASB-34. This represents a decrease in the net asset deficit of 18.9% from 2006. 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.

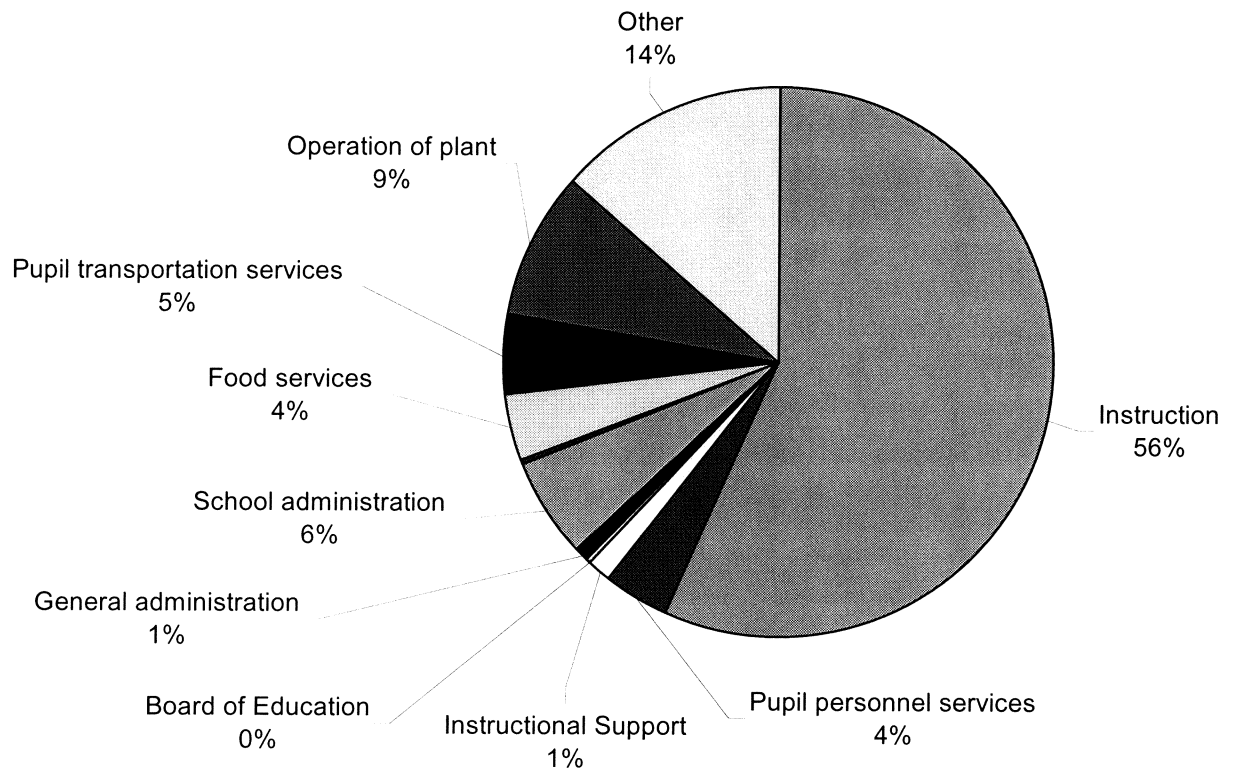
Changes in Net Assets - The table below shows the changes in net assets for 2006 and 2007.

Revenue	2006	2007
Program Revenues:		
Charges for services	\$ 22,098,758	\$ 20,769,179
Operating grants and contributions	39,546,099	41,586,343
Capital grants and contributions	25,127,393	20,675,078
General Revenues:		-
Property taxes	510,291,439	599,802,542
Local sales tax	2,961,576	2,986,586
Grants and contributions not restricted to specific programs	424,166,998	428,016,477
Unrestricted Investment Earnings	12,529,995	20,436,833
Miscellaneous	15,863,104	10,485,482
	<u>1,052,585,362</u>	<u>1,144,758,521</u>
Expenses		
Instruction	532,137,744	574,592,263
Pupil personnel services	40,608,077	41,428,149
Instructional media services	13,269,918	13,676,972
Instruction and curriculum development services	36,629,934	34,895,904
Instructional staff training services	6,657,605	7,352,315
Instructional Technology	1,187,529	5,804,345
Board of Education	1,314,694	2,328,594
General administration	8,544,312	9,073,452
School administration	55,171,928	57,898,750
Facilities acquisition and construction	16,317,564	4,326,385
Fiscal services	3,603,398	4,481,034
Food services	37,532,461	38,744,447
Central services	13,627,278	14,283,589
Pupil transportation services	46,407,021	48,127,581
Operation of plant	79,608,079	87,450,569
Maintenance of plant	27,236,919	23,597,233
Administrative Technology Services	5,140,480	5,102,247
Community services	2,058,791	1,720,476
Interest on long-term debt	4,851,433	2,017,654
Loss on disposal of capital assets	4,518,179	1,458,578
Unallocated depreciation*	33,626,347	37,078,329
Total Expenses	<u>970,049,691</u>	<u>1,015,438,866</u>
Increase in Net assets	82,535,671	129,319,655
Net assets, July 1, 2006	1,569,240,870	1,646,925,445
Prior Period Adjustment	(4,851,096)	
Net assets, June 30, 2007	<u>\$ 1,646,925,445</u>	<u>\$ 1,776,245,100</u>

Revenue by Source – Governmental Activities
Period Ended June 30, 2007



**Expenses by Source – Governmental Activities
Period Ended June 30, 2007**



Financial Analysis of Individual Funds

The District completed the year with a total governmental fund balance of \$351.5 million, an increase of \$66.4 million over 2006 fund balance of \$285.1 million.

The General Fund had a \$ 12.6 million increase in fund balance to \$63.2 million.

The other major capital outlay funds changed as follows:

- Capital Improvement Section 236.25(2) Fund increased \$53.0 million to \$253.3 million. This increase is a result of revenues received in anticipation of impending incurred as a result of construction needs.

Other Governmental Funds also experienced an increase of fund balance from \$28.4 million in 2006 to \$29.4 million in 2007.

Budget Variance in the General Fund

Overall budgeted revenue exceeded actual 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 2007, the District had invested over \$2.0 billion in a broad range of capital assets, including buildings, sites and equipment. This amount represents a net increase of \$137.7 million from 2006. More detailed information concerning capital assets can be found in Note 6 to the financial statements. Accumulated depreciation on these assets totaled almost \$570.8 million.

- Asset acquisitions totaled \$144 million.
- The District disposed of \$15.7 million in assets.
- The net change to construction in progress reflected an increase of \$1.8 million.
- The District acquired technology assets through capital lease totaling \$23.3 million.
- The District recognized depreciation expense of \$60.4 million for the year.

Capital Assets

Land Improvements -Non Depreciable	22,717,599	22,717,599
Construction in Progress	15,401,514	17,239,442
Bulildings and Fixed Equipment	1,677,948,095	1,769,062,776
Improvements other than Building		2,147,368
Furniture Fixtures and Equipment	158,311,799	159,092,968
Motor Vehicles	50,347,019	51,081,418
Audio Visual and Computer Software	12,680,361	14,150,458
Property Under Capital Lease	3,781,975	27,076,746
Total Capital Assets	2,027,589,704	2,155,783,878
Accumulated Depreciation	(524,821,266)	(570,956,249)
Total Net Capital Assets	\$ 1,502,768,438	\$ 1,584,827,629

Long-Term Debt

At year-end, the District had \$195.1 million in general obligation bonds and other long-term debt outstanding – an increase of 15.0% 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

	<u>2006</u>	<u>2007</u>	<u>Percentage Change</u>
General Obligation Debt	\$ 38,595,000	\$ 36,665,000	-5.0%
Compensated absences	105,215,262	107,601,238	2.3%
Capital lease	2,749,300	18,625,150	577.5%
Insurance claims	22,978,073	22,621,480	-1.6%
Other	72,997	0	-100.0%
Total	\$ 169,610,632	\$ 185,512,868	9.4%

Significant Economic Factors

The District continues to face funding challenges. The state has projected a revenue shortfall for the 2007-2008 fiscal year. At the time of publication the impact to the district was not yet determined.

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, 2007

	Primary Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 328,874	\$ 2,514,946
Investments	382,321,896	9,704,943
Taxes receivable, net	22,331,518	-
Accounts receivable, net	1,633,887	126,727
Interest receivable	1,355,052	-
Promises to give	-	3,430,895
Charitable remainder trust	-	263,508
Deposits receivable	4,754	68,896
Due from other agencies	43,301,018	18,062,358
Prepaid expenses and other	7,949,580	60,886
Inventories	5,848,462	-
Capital assets:		
Nondepreciable	133,172,144	-
Depreciable	1,451,655,485	583,819
Total assets	<u>2,049,902,670</u>	<u>34,816,978</u>
Liabilities		
Salaries and benefits payable	6,288,940	-
Payroll deductions and withholdings	22,557,371	-
Accounts payable	3,065,073	1,314,469
Construction contracts payable	12,768,176	-
Due to other agencies	13,271,754	27,634
Deferred revenue	30,193,388	-
Obligations under split interest agreements	-	240,079
Noncurrent liabilities:		
Portion due within one year:		
Liability for compensated absences	10,120,038	-
Bonds payable	2,025,000	-
Obligations under capital leases	7,027,372	-
Estimated liability for long term claims	4,479,622	-
Portion due after one year:		
Liability for compensated absences	97,481,200	-
Bonds payable	34,640,000	-
Obligations under capital leases	11,597,778	-
Estimated liability for long term claims	18,141,858	-
Total liabilities	<u>273,657,570</u>	<u>1,582,182</u>
Net assets		
Invested in capital assets, net of related debt	1,529,537,479	583,819
Restricted for:		
State categorical programs	3,978,553	-
Debt service	1,232,510	-
Capital projects	275,570,978	65,151
Endowment-nonexpendable	150,928	3,976,200
Other purposes	-	27,759,361
Unrestricted	(34,225,348)	850,265
Total net assets	<u>\$ 1,776,245,100</u>	<u>\$ 33,234,796</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary government:					
Governmental activities:					
Instruction	\$ 574,592,263	\$ 2,136,109	\$ -	\$ (572,456,154)	\$ -
Pupil personnel services	41,428,149	-	-	(41,428,149)	-
Instructional media services	13,676,972	-	-	(13,676,972)	-
Instruction and curriculum development services	34,895,904	-	-	(34,895,904)	-
Instructional staff training services	7,352,315	-	-	(7,352,315)	-
Instructional related technology	5,804,345	-	-	(5,804,345)	-
Board of Education	2,328,594	-	-	(2,328,594)	-
General administration	9,073,452	-	-	(9,073,452)	-
School administration	57,898,750	-	-	(57,898,750)	-
Facilities acquisition and construction	4,326,385	-	1,071,978	(3,254,407)	-
Fiscal services	4,481,034	-	-	(4,481,034)	-
Food services	38,744,447	20,792,358	-	(1,638,736)	-
Central services	14,283,589	-	-	(14,283,589)	-
Pupil transportation services	48,127,581	20,793,985	-	(25,013,879)	-
Operation of plant	87,450,569	-	-	(87,450,569)	-
Maintenance of plant	23,597,233	-	15,789,056	(7,808,177)	-
Administrative technology services	5,102,247	-	-	(5,102,247)	-
Community services	1,720,476	-	-	(1,720,476)	-
Interest on long-term debt	2,017,654	-	3,814,044	1,796,390	-
Loss on disposal of fixed assets	1,458,576	-	-	(1,458,576)	-
Unallocated depreciation*	37,078,331	-	-	(37,078,331)	-
Total government activities	1,015,438,866	20,769,179	20,675,078	(932,408,266)	-
Total primary government	\$ 1,015,438,866	\$ 20,769,179	\$ 20,675,078		
Component Units:					
Educational Foundation	\$ 4,166,268	\$ -	\$ -	453,690,981	-
Charter schools	6,152,947	47,555	143,449	146,111,561	-
Total Component Units	\$ 10,319,215	\$ 47,555	\$ 143,449	2,986,586	-
				428,016,477	6,706,697
				20,436,834	1,142,908
				10,485,482	140,426
				1,061,727,921	7,990,031
				129,319,655	3,144,030
				1,646,925,445	30,069,515
				-	21,251
				1,646,925,445	30,090,766
				\$ 1,776,245,100	\$ 33,234,796

General revenues:

Property taxes, levied for operational purposes	453,690,981
Property taxes, levied for capital projects	146,111,561
Local sales taxes	2,986,586
Grants and contributions not restricted for specific programs	428,016,477
Unrestricted investment earnings	20,436,834
Miscellaneous	10,485,482
Total general revenues and permanently restricted contributions	1,061,727,921
Change in net assets	129,319,655
Net assets - July 1, 2006	1,646,925,445
Prior period adjustment	-
Net assets - July 1, 2006, as restated	1,646,925,445
Net assets - June 30, 2007	\$ 1,776,245,100

* 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, 2007

	General	Capital Improvement Section 1011.71(2) Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 34,515	\$ -	\$ 159,678	\$ 194,193
Investments	57,331,655	266,688,994	5,184,197	27,813,103	357,017,949
Taxes receivable, net	16,833,261	5,420,231	-	-	22,253,492
Accounts receivable, net	927,661	-	143,963	810	1,072,434
Interest receivable	778,350	504,101	30,555	42,046	1,355,052
Deposits receivable	4,754	-	-	-	4,754
Due from other funds	22,192,139	930,367	163,539	1,299,058	24,585,103
Due from other agencies	1,390,260	50,317	26,090,735	15,769,706	43,301,018
Inventories	4,508,079	-	-	1,340,383	5,848,462
Prepaid items and other	7,949,441	-	-	139	7,949,580
Total assets	\$ 111,915,600	\$ 273,628,525	\$ 31,612,989	\$ 46,424,923	\$ 463,582,037
Liabilities and fund balances					
Liabilities:					
Salaries and benefits payable	\$ 6,222,905	\$ -	\$ -	\$ 66,035	\$ 6,288,940
Payroll deductions and withholdings	20,970,174	-	-	1,587,199	22,557,373
Accounts payable	2,737,890	334,084	-	642,273	3,714,247
Construction contracts payable	621	11,358,851	7,000	1,401,705	12,768,177
Deposits payable	8,397	-	-	-	8,397
Sales taxes payable	1,015	-	-	-	1,015
Due to other agencies	12,620,236	-	-	651,517	13,271,753
Due to other funds	6,139,878	8,660,761	530,973	7,959,975	23,291,587
Deferred revenue	324	-	25,431,782	4,761,282	30,193,388
Total liabilities	48,701,440	20,353,696	25,969,755	17,069,986	112,094,877
Fund balances:					
Reserved:					
State categorical programs	3,978,553	-	-	-	3,978,553
Encumbrances	6,053,965	98,522,101	559,522	9,034,359	114,169,947
Inventories	4,508,079	-	-	1,340,383	5,848,462
Debt service	-	-	-	1,232,510	1,232,510
Unreserved:					
General fund	48,673,563	-	-	-	48,673,563
Special revenue funds	-	-	-	9,978,201	9,978,201
Capital project funds	-	154,752,728	5,083,712	7,618,556	167,454,996
Permanent funds	-	-	-	150,928	150,928
Total fund balances	63,214,160	253,274,829	5,643,234	29,354,937	351,487,160
Total liabilities and fund balances	\$ 111,915,600	\$ 273,628,525	\$ 31,612,989	\$ 46,424,923	\$ 463,582,037

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2007**

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

Total fund balance - Governmental Funds	\$	351,487,160
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Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		1,584,827,629
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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.		2,821,698
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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	107,601,238	
Bonds payable	36,665,000	
Obligations under capital leases	<u>18,625,150</u>	<u>(162,891,387)</u>

Total net assets - Governmental Activities	\$	<u><u>1,776,245,100</u></u>
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DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007**

	General	Capital Improvement Section 1011.71(2) Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Federal direct	\$ 306,729	\$ -	\$ -	\$ 4,217,219	\$ 4,523,948
Federal through state	1,569,461	-	-	97,181,267	98,750,728
State sources	371,739,857	-	-	21,410,382	393,150,239
Local sources	472,082,459	155,464,148	511,953	18,160,902	646,219,462
Total revenues	845,698,506	155,464,148	511,953	140,969,770	1,142,644,377
Expenditures					
Current:					
Instruction	526,655,386	-	-	40,429,564	567,084,950
Pupil personnel services	35,176,305	-	-	6,015,670	41,191,975
Instructional media services	12,964,515	-	-	542,786	13,507,301
Instruction and curriculum development services	13,459,016	-	-	21,089,947	34,548,963
Instructional staff training services	3,142,683	-	-	4,007,024	7,149,707
Instruction related technology	355,594	-	-	73,421	429,015
Board	2,393,305	-	-	-	2,393,305
General administration	5,743,861	-	-	3,232,913	8,976,774
School administration	57,452,524	-	-	207,795	57,660,319
Facilities acquisition and construction	886,317	-	-	21,689	908,006
Fiscal services	4,407,943	-	-	41,967	4,449,910
Food services	123,696	-	-	38,175,356	38,299,052
Central services	12,673,717	-	-	1,395,963	14,069,680
Pupil transportation services	47,441,600	-	-	210,099	47,651,699
Operation of plant	87,086,968	-	-	146,328	87,233,296
Maintenance of plant	23,437,533	-	-	1,068	23,438,601
Administrative technology services	5,068,592	-	-	18,823	5,087,415
Community services	801,136	-	-	890,759	1,691,895
Capital outlay:					
Facilities acquisition and construction	191,726	91,269,167	723,472	16,075,455	108,259,820
Other capital outlay	26,827,616	-	-	3,443,516	30,271,132
Debt service:					
Principal	1,420,867	5,920,594	-	1,930,000	9,271,461
Interest and fees	7,861	75,963	-	1,933,829	2,017,653
Total expenditures	867,718,761	97,265,724	723,472	139,883,972	1,105,591,929
Revenues in excess of (under) expenditures	(22,020,255)	58,198,424	(211,519)	1,085,798	37,052,448
Other financing sources (uses)					
Loss recoveries	270,797	-	-	78,000	348,797
Obligations under capital leases	23,294,771	-	-	-	23,294,771
Transfers in	11,113,273	-	-	-	11,113,273
Transfers out	-	(5,213,273)	(200,000)	-	(5,413,273)
Total other financing sources (uses)	34,678,841	(5,213,273)	(200,000)	78,000	29,343,568
Net change in fund balances	12,658,586	52,985,151	(411,519)	1,163,798	66,396,016
Fund balances - July 1, 2006	50,555,574	200,289,678	6,054,753	28,191,139	285,091,144
Fund balances - June 30, 2007	\$ 63,214,160	\$ 253,274,829	\$ 5,643,234	\$ 29,354,937	\$ 351,487,160

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, 2007**

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

Net change in fund balances - Total Governmental Funds	\$ 66,396,016
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.	84,350,574
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.	(1,458,576)
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.	9,421,919
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.	(2,385,976)
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.	(3,709,531)
Certain capital assets acquired during the current period were financed with capital leases. The capital leases were reported in the governmental funds as a source of funding. However, in the statement of net assets the capital leases were recorded as a long term liability.	<u>(23,294,771)</u>
Change in net assets of Governmental Activities	<u>\$ 129,319,655</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Net Assets
Proprietary Fund
June 30, 2007**

	Governmental Activities
	Internal Service Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 134,681
Investments	25,381,974
Accounts receivable, net	561,453
Due from other funds	5,721,167
Total assets	<u>\$ 31,799,275</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 102,380
Due to other funds	6,253,717
Current portion long term claims	4,479,622
Total current liabilities	<u>10,835,719</u>
Long term claims	<u>18,141,858</u>
Total liabilities	<u>28,977,577</u>
Net assets:	
Unrestricted	<u>2,821,698</u>
Total net assets	<u>2,821,698</u>
Total liabilities and net assets	<u>\$ 31,799,275</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Proprietary Fund
Year Ended June 30, 2007**

	Governmental Activities Internal Service Fund
Operating revenues	
Premium revenue	\$ 8,012,360
Other	-
Total operating revenues	8,012,360
Operating expenses	
Other expenses	7,115,434
Operating income	896,926
Nonoperating revenue	
Interest revenue	1,093,543
Transfers out	(5,700,000)
Change in net assets	(3,709,531)
Total net assets - July 1, 2006	6,531,229
Total net assets - June 30, 2007	\$ 2,821,698

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2007**

	Governmental Activities
	Internal Service Fund
Operating activities	
Cash received from General and other funds	\$ 5,723,691
Cash payments for interfund services used	-
Net cash provided by operating activities	<u>5,723,691</u>
Noncapital Financing Activities	
Transfers to other funds	(5,700,000)
Net cash (used) for financing activities	<u>(5,700,000)</u>
Investing activities	
Proceeds from the sale and maturities of investments	7,108,296
Interest and dividend received	1,093,543
Purchase of investments	(8,135,515)
Net cash (used) in investing activities	<u>66,324</u>
Net decrease in cash and cash equivalents	90,015
Cash and cash equivalents- July 1, 2006	<u>44,666</u>
Cash and cash equivalents- June 30, 2007	<u><u>\$ 134,681</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 896,926</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities	
Increase in accounts receivable	(427,553)
Decrease in interest receivable	141,057
Increase in due from other funds	(302,869)
Decrease in estimated insurance claims payable	(356,592)
Decrease in accounts payable	(177)
Increase in due to other funds	5,772,899
Total adjustments	<u>4,826,765</u>
Net cash provided by operating activities	<u><u>\$ 5,723,691</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	<u>Agency Funds</u>		
	School Internal Funds (unaudited)	Agency Funds	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 7,326,498	\$ -	\$ 7,326,498
Investments	-	34,028	34,028
Accounts receivable, net	320,284	-	320,284
Interest receivable	-	-	-
Due from other funds	59,038	-	59,038
Total assets	<u>\$ 7,705,820</u>	<u>\$ 34,028</u>	<u>7,739,848</u>
Liabilities			
Accounts payable	\$ 185,895	\$ 30,769	\$ 216,664
Due to other agencies	-	-	-
Internal accounts payable	6,703,966	-	6,703,966
Due to other funds	816,906	3,259	820,165
Total liabilities	<u>\$ 7,706,767</u>	<u>\$ 34,028</u>	<u>\$ 7,740,795</u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

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 District 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 Foundation receives, holds, invests and administers property and makes expenditures to or for the benefit of the District. An annual post audit of the Foundation's financial statements was conducted by an independent certified public accountant and is filed in the District's administrative office.

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 the District. 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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.+ – 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.
- *Other Capital Projects* – to account for the financial resources generated by Classrooms for Kids funds and sale of property funds. These funds are used for capital outlay needs.

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

- *Internal Service Fund* – to account for the District's individual self-insurance programs.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

- *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.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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
Computers under capital lease	3 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.

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (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 2007 tax levy on September 12, 2006. Tax bills are mailed in October; and taxes are payable between November 1 of the year assessed and March 31 of the following year, at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the District adopts the tax levy. Property tax revenues are recognized in the governmental fund 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 1 - Summary of Significant Accounting Policies (continued)

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

Federal Revenue Sources

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

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.

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements June 30, 2007

Note 3 - Investments

As of June 30, 2007, 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	49,806	49,806	\$ -	\$ -	\$ -	\$ -
State Board of Administration Local Gov't Surplus Trust Fund	31,962,162	31,962,162	-	-	-	-
Core Fund (Other Pooled Investments)	32,831,171	32,831,171	-	-	-	-
Obligations of United States Government Agencies and Instrumentalities:						
Corporate Asset Backed Securities (1)	1,581,469	1,581,469	-	-	-	-
Collateralized Mortgage Obligations - Corporate Bonds (1)	298,309,826	6,897,987	12,558,252	169,663,577	42,507,325	66,682,685
Collateralized Mortgage Obligations - Floating Rate (1)	946,887	946,887	-	-	-	-
Federal Agency Mortgage Backed Securities -Pools (1)	6,292,231	-	6,292,231	-	-	-
Federal Agency Mortgage Backed Securities - Floating Rate (1)	718,944		718,944			
Federal Agency Float Rate Securities (1)	9,629,400	-	9,629,400	-	-	-
Total Investments Primary Government	\$ 382,321,896	\$ 74,269,482	\$ 29,198,827	\$ 169,663,577	\$ 42,507,325	\$ 66,682,685

Notes: (1) The District uses the modified duration method to determine maturities for these investments.

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

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements June 30, 2007

As of June 30, 2007, the District had the following interest rate risk by Fund:

Investment	% 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
Major Governmental Funds:							
General Fund	17%	\$ 64,763,148	\$ 12,580,829	\$ 4,946,114	\$ 28,740,041	\$ 7,200,498	\$ 11,295,666
Capital Project Fund:							
Capital Improvement Section 1011.71(2) Fund	69%	264,778,867	51,435,686	20,221,788	117,501,327	29,438,652	46,181,414
Other Capital Projects Fund	1%	5,076,794	986,213	387,727	2,252,937	564,448	885,469
Nonmajor Governmental Funds	6%	22,895,373	4,447,633	1,748,574	10,160,315	2,545,554	3,993,297
Proprietary Fund:							
Internal Service Fund	7%	24,774,999	4,812,767	1,892,125	10,994,440	2,754,535	4,321,132
Fiduciary Funds:							
Agency Funds	0%	32,715	6,355	2,499	14,518	3,637	5,706
Total Investments Primary Government	100%	\$ 382,321,896	\$ 74,269,483	\$ 29,198,827	\$ 169,663,578	\$ 42,507,324	\$ 66,682,684

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 \$317,478,757 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, 2007, the District has investments in the Evergreen Institutional Treasury Money market Fund with a fair value of \$49,806. This fund was rated AAA by Standard and Poor's and Aaa by moody's Investor Services.
- 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 \$32,831,171 in the Core Fund at June 30, 2007. The Core Fund is a short-term U.S. government bond fund. This fund was rated AAA+ by Standard and Poor's.
- The \$31,962,162 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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

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 \$313,017,963 in obligations of United States Government Agencies and Instrumentalities are held by the District's custodial agent in the name of the District.

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, 2007, as follows:

Issue	Fair Value	Percent of Total Investments, Primary Government
FNMA 07-18 BA	\$ 28,437,760	7.3%

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2007**

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	\$ 22,192,139	\$ 6,139,717
Capital Projects:		
Capital Improvement Section 236.25(2)	930,367	8,660,761
Other Capital Projects	163,539	530,973
Nonmajor Governmental Funds	1,299,058	7,959,975
Internal Service Funds	5,721,167	6,253,717
Fiduciary Funds	59,038	820,165
	<u>\$ 30,365,308</u>	<u>\$ 30,365,308</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.

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

	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 11,113,273	\$ -
Capital Projects:		
Capital Improvement Section 236.25(2)	-	5,213,273
Other Capital Projects	-	200,000
Internal Service Funds	-	5,700,000
	<u>\$ 11,113,273</u>	<u>\$ 11,113,273</u>

The \$5,213,273 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 \$200,000 transfer from the Other Capital Projects Fund to the Capital Improvement Section 236.25(2) Fund was to cover capital outlay costs incurred.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Notes to Financial Statements
June 30, 2007**

Note 5 - Property Taxes

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-2007 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund:		
Nonvoted School Tax:		
Required Local Effort	5.046	\$ 381,025,761
Basic Discretionary Local Effort	0.510	38,510,333
Supplement Discretionary Operating Local Effort	0.154	11,628,610
Voted School Tax		
Local Referendum	<u>0.500</u>	<u>37,755,228</u>
Total General Fund:	<u>6.210</u>	<u>468,919,932</u>
Capital Projects Fund:		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>151,020,912</u>
Total General and Capital Funds:	<u><u>8.210</u></u>	<u><u>\$ 619,940,844</u></u>

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements June 30, 2007

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	\$ 86,401,342	\$ 6,813,761	\$ -	\$ 93,215,103
Land Improvements - Non-depreciable	22,717,599	-	-	22,717,599
Construction in Progress	15,401,514	16,066,088	14,228,160	17,239,442
Total Capital Assets Not Being Depreciated	<u>124,520,455</u>	<u>22,879,849</u>	<u>14,228,160</u>	<u>133,172,144</u>
Capital Assets Being Depreciated:				
Buildings and Fixed Equipment	1,677,948,095	91,114,681	-	1,769,062,776
Improvements other than Building	-	2,147,368	-	2,147,368
Furniture, Fixtures and Equipment	158,311,800	13,972,899	13,191,731	159,092,968
Motor Vehicles	50,347,019	3,038,318	2,303,919	51,081,418
Property Under Capital Lease	3,781,975	23,294,771	-	27,076,746
Audio Visual and Computer Software	12,680,361	1,738,204	268,107	14,150,458
Total Capital Assets Being Depreciated	<u>1,903,069,250</u>	<u>135,306,241</u>	<u>15,763,757</u>	<u>2,022,611,734</u>
Less Accumulated Depreciation for:				
Buildings and Fixed Equipment	378,703,645	35,672,300	-	414,375,945
Furniture, Fixtures and Equipment	108,406,282	14,027,570	12,268,776	110,165,076
Improvements other than Building	-	143,158	-	143,158
Motor Vehicles	28,070,659	3,362,501	1,860,404	29,572,756
Property Under Capital Lease	778,212	5,633,711	-	6,411,923
Audio Visual and Computer Software	8,862,467	1,600,922	175,998	10,287,391
Total Accumulated Depreciation	<u>524,821,266</u>	<u>60,440,162</u>	<u>14,305,178</u>	<u>570,956,249</u>
Total Capital Assets Being Depreciated, Net	<u>1,378,247,984</u>	<u>74,866,079</u>	<u>1,458,579</u>	<u>1,451,655,485</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,502,768,438</u>	<u>\$ 97,745,928</u>	<u>\$ 15,686,739</u>	<u>\$ 1,584,827,629</u>

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, 2007

Note 6 - Changes In Capital Assets (continued)

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

Governmental Activities:

Instruction	\$ 5,939,088
Pupil personnel services	112,099
Instructional media services	132,138
Instruction and curriculum development services	246,066
Instructional staff training	188,858
Instruction related technology	5,374,307
Board of Education	5,307
General administration	81,071
School administration	66,913
Facilities acquisition and construction	9,900,844
Fiscal services	19,054
Food service	469,783
Central services	181,355
Pupil transportation services	371,397
Operation of plant	114,385
Maintenance of plant	128,055
Administrative technology	4,296
Community of services	26,815
Unallocated	<u>37,078,331</u>
Total depreciation expense - governmental activities	<u>\$ 60,440,162</u>

Note 7 - Changes in Short-Term Debt

The District did not issue any tax anticipation notes for the fiscal year ended June 30, 2007 and therefore, had no material short term debt.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

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/computer equipment of \$23,963,896.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,786,183	\$ 7,027,372	\$ 758,811
2009	8,404,788	7,936,001	468,787
2010	2,743,200	2,614,475	128,725
2011	370,353	337,298	33,055
2012	370,352	348,966	21,386
2013-2014	370,352	361,038	9,314
	<u>\$ 20,045,228</u>	<u>\$ 18,625,150</u>	<u>\$ 1,420,078</u>

The imputed interest rate is 3.43% on the bus leases and 2.00% on the technology.

Note 9 - Bonds Payable

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

	<u>Amount</u>	<u>Interest Rates</u>	<u>Maturity</u>
State School Bonds:			
Series 2000-A	\$ 6,190,000	4.625-6%	2020
Series 2001-A	430,000	4.10-5.25%	2021
Series 2005-B	<u>30,045,000</u>	3.5%-5%	2020
Total Bonds Payable	<u>\$ 36,665,000</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, 2007

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>
2008	\$ 3,859,005	\$ 2,025,000	\$ 1,834,005
2009	4,013,430	2,280,000	1,733,430
2010	4,024,700	2,405,000	1,619,700
2011	4,027,138	2,530,000	1,497,138
2012	4,020,919	2,650,000	1,370,919
2013-2017	20,041,756	15,305,000	4,736,756
2018-2021	<u>10,394,250</u>	<u>9,470,000</u>	<u>924,250</u>
	<u>\$ 50,381,198</u>	<u>\$ 36,665,000</u>	<u>\$ 13,716,198</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	\$ 105,215,262	\$ 12,067,343	\$ 9,681,367	\$ 107,601,238	\$ 10,120,038
Estimated insurance claims payable	22,978,072	4,870,456	5,227,048	22,621,480	4,479,622
Bonds payable	38,595,000	-	1,930,000	36,665,000	2,025,000
Other	72,997	-	72,997	-	-
Obligations under capital leases	<u>2,749,301</u>	<u>23,294,771</u>	<u>7,418,922</u>	<u>18,625,150</u>	<u>7,027,372</u>
Total	<u>\$ 169,610,632</u>	<u>\$ 40,232,570</u>	<u>\$ 24,330,334</u>	<u>\$ 185,512,868</u>	<u>\$ 23,652,032</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, 2007

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 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

Note 12 - Schedule of State Revenue Sources

The District's State revenue for the year ended June 30, 2007 follows:

Florida Education Finance Program	\$ 203,128,578
Categorical Educational Program:	
Instructional materials	10,801,619
Student transportation	20,793,985
Excellent teacher	2,986,586
Workforce development program	28,222,628
Class Size Reduction	87,876,292
Gross receipts tax (Public Education Capital Outlay)	15,789,056
Florida school recognition program	5,736,962
District discretionary lottery funds	4,418,994
Motor vehicle license tax (Capital outlay and Debt Service)	4,662,772
Mobile home license tax	617,475
Adults with disabilities	573,369
Florida teachers lead program	1,862,547
Food service supplement	559,054
Pari-mutuel tax	223,250
Charter School Capital Outlay Funding	312,864
Voluntary Pre-K	1,324,935
Miscellaneous	3,259,273
	<u>\$ 393,150,239</u>

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

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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 13 - State Retirement Program (continued)

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. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before 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, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the 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.

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

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System:		
Regular	0.00	9.85
County Elected Officers	0.00	16.53
Senior Management Service Class	0.00	13.12
Special Risk	0.00	20.92
Teachers' Retirement System, Plan E	6.3	
State and County Officers and Employees'		
Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program	0.00	10.91
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.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 13 - State Retirement Program (continued)

(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, 2005, 2006, and 2007 totaled \$37,664,161, \$44,583,126 and \$57,549,506, respectively, which were equal to the required contributions for each fiscal year.

Pension Reporting The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida. An annual report on the Plan which includes its financial statements, required supplemental information, actuarial report, and other relevant information may also be obtained by contacting the Florida Department of Management Services, Division of Retirement, 4050 Esplanade Way, Tallahassee, Florida 32399-0950 or calling 850-488-2786.

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 \$45,000, 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 \$9,378,516 for the period ended June 30, 2007.

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, 2007 were \$16,991,140 and \$3,495,454 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, 2007 was \$77,999,810.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

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>
Blanton Elementary			
General Contractor	\$ 2,551,814	\$ 2,407,518	\$ 144,296
Architect	161,260	154,305	6,955
Boca Ciega High			
General Contractor	25,635,983	49,358	25,586,625
Architect	3,140,044	965,101	2,174,943
Tarpon Springs Elementary			
General Contractor	13,545,284	3,560,868	9,984,416
Architect	961,233	616,505	344,728
Tyrone Elementary			
General Contractor	16,155,777	1,616,730	14,539,047
Architect	<u>1,353,545</u>	<u>876,391</u>	<u>477,154</u>
Total	<u>\$ 63,504,940</u>	<u>\$ 10,246,776</u>	<u>\$ 53,258,164</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.

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, 2007, a liability of \$22,621,480 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 nominal method which was actuarially determined.

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

Note 16 - Risk Management Programs (continued)

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>
2006	\$ 22,444,821	\$ 4,574,441	\$ (4,041,190)	\$ 22,978,072
2007	\$ 22,978,072	\$ 4,870,456	\$ (5,227,048)	\$ 22,621,480

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 - Post Employment Benefits (Other than Pensions)

In accordance with Florida Statutes Section 112.0801, the District offers retiring employees the opportunity to continue participating in the group insurance and self insurance plans. Retirees who do not choose to continue participation lose eligibility to participate in the future. The participating retirees pay 100% (employer and employee portion) of the premium cost applicable to an active employee. Approximately 1,007 retirees participate in the program. Expenditures for these benefits are recognized as claims are reported. Costs for retiree claims are included with active employee participants in calculating premium and claims liability amounts. The post retirement health care and dental benefits cannot be reasonably estimated without separating the retirees from the active employees. The eligible retiree group currently represents approximately 6% of the total participants in the District's health and dental plans.

In preparation for implementing the requirements of GASB Statement No. 45, - "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions," the District engaged an actuarial firm to determine the estimated obligation associated with post employment health care benefits as well as the actuarially required contribution (ARC) for funding this obligation. Based on this report, the 2008 estimate of the actuarially required contribution is \$6,350,509 and the actuarially determined unfunded obligation is \$70,768,008.

Note 19 - Subsequent Events

As discussed in Note 3, at June 30, 2007, the District had \$31,962,162 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). The District's

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Notes to Financial Statements

June 30, 2007

balance in the Pool represents 8.4% of total investments at June 30, 2007. On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

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

As of January 31, 2007, the District has \$30,172,422 and \$7,819,098 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Required Supplementary Information

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, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues				
Federal direct	\$ 185,000	\$ 306,730	\$ 306,729	\$ (1)
Federal through state	2,153,597	1,569,461	1,569,461	-
State sources	385,172,608	377,896,929	371,739,857	(6,157,072)
Local sources	466,992,975	472,090,099	472,082,459	(7,640)
Total revenue	<u>854,504,180</u>	<u>851,863,219</u>	<u>845,698,506</u>	<u>(6,164,713)</u>
Expenditures				
Current:				
Instruction	541,538,155	529,919,142	526,655,386	3,263,756
Pupil personnel services	34,991,424	35,637,309	35,176,305	461,004
Instructional media services	12,040,844	13,069,255	12,964,515	104,740
Instruction and curriculum development services	13,624,276	13,493,156	13,459,016	34,140
Instructional staff training services	3,282,164	3,292,816	3,142,683	150,133
Instruction related technology	1,194,247	355,596	355,594	2
Board of Education	1,513,555	2,420,178	2,393,305	26,873
General administration	6,895,447	5,798,935	5,743,861	55,074
School administration	56,393,453	57,671,866	57,452,524	219,342
Facilities acquisition and construction	1,135,090	1,033,104	886,317	146,787
Fiscal services	4,467,234	4,470,454	4,407,943	62,511
Food services	-	123,696	123,696	-
Central services	13,520,780	12,936,432	12,673,717	262,715
Pupil transportation services	47,116,870	47,513,585	47,441,600	71,985
Operation of plant	87,687,657	87,322,424	87,086,968	235,456
Maintenance of plant	18,825,832	24,440,157	23,437,533	1,002,624
Administrative technology services	5,650,972	5,334,648	5,068,592	266,056
Community services	397,433	803,917	801,136	2,781
Capital outlay:				
Facilities acquisition and construction	191,726	191,726	191,726	-
Other capital outlay	3,532,841	3,532,841	26,827,616	(23,294,775)
Debt service:				
Principal	800,000	1,123,594	1,420,867	(297,273)
Interest and fees	-	-	7,861	(7,861)
Dues, fees and issuance costs	-	-	-	-
Total expenditures	<u>854,800,000</u>	<u>850,484,831</u>	<u>867,718,761</u>	<u>(17,233,930)</u>
Deficiency of revenues over expenditures	<u>(295,820)</u>	<u>1,378,388</u>	<u>(22,020,255)</u>	<u>(23,398,643)</u>
Other financing sources				
Loss recoveries	500,000	270,797	270,797	-
Obligations under capital leases	-	-	23,294,771	23,294,771
Transfers in	10,700,000	11,113,273	11,113,273	-
Total other financing sources	<u>11,200,000</u>	<u>11,384,070</u>	<u>34,678,841</u>	<u>23,294,771</u>
Net change in fund balances	10,904,180	12,762,458	12,658,586	(103,872)
Fund balances - July 1, 2006	<u>50,555,574</u>	<u>50,555,574</u>	<u>50,555,574</u>	<u>-</u>
Fund balances - June 30, 2007	<u>\$ 61,459,754</u>	<u>\$ 63,318,032</u>	<u>\$ 63,214,160</u>	<u>\$ (103,872)</u>

Other Supplementary Information

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2007

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	\$ 1,583,035	\$ -
Florida Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	300	14,823,926	-
Summer Food Service Program for Children	10.559	323	220,265	-
School Breakfast Program	10.553	321	3,606,078	-
Total Child Nutrition Cluster			18,650,269	-
Total U. S. Department of Agriculture			20,233,304	-
U. S. Department of Labor				
Indirect:				
WIA Youth Activities	17.259	N/A	612,728	-
Total U. S. Department of Labor			612,728	-
Environmental Protection Agency				
Direct:				
Clean School Bus USA	66.036	N/A	150,000	
Total Environmental Protection Agency			150,000	-
U. S. Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A	529,304	-
Total Student Financial Assistance Cluster			529,304	-
Magnet Schools Assistance	84.165	N/A	1,829,485	-
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	285,326	-
Fund for the Improvement of Education	84.215	N/A	1,295,193	-
Foreign Language Assistance	84.293		69,930	-
Advanced Placement Program	84.330	N/A	541,966	-
Total Direct Federal Awards			4,551,204	-
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262/263	25,756,739	-
Special Education - Preschool Grants	84.173	266/267	607,733	-
Total Special Education Cluster			26,364,472	-
Adult Education State Grant Program	84.002	191	1,044,719	-
Title I Grants to Local Educational Agencies	84.010	212	31,873,066	-
Vocational Education - Basic Grants to States	84.048	151	1,400,953	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	502,290	-
Education for Homeless Children and Youth	84.196	127	38,369	-
Even Start - State Educational Agencies	84.213	219	288,453	-
Charter Schools	84.282	298	237,675	237,675
State Grants for Innovative Programs	84.298	113	177,826	-
Education Technology State Grants	84.318	121	2,202,984	-
Comprehensive School Reform Demonstration	84.332	1280	27,537	-
Reading First State Grants	84.357	2133	4,216,001	-
Voluntary Public School Choice	84.361	299	62,243	-
English Language Acquisition Grants	84.365	1023	531,915	-
Improving Teacher Quality State Grants	84.367	2243	5,983,432	-
Total Indirect Federal Awards			74,951,935	237,675
Total U. S. Department of Education			79,503,139	237,675

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2007

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	331,798	-
Florida Department of Children and Families Refugee and Entrant Assistance	93.566	N/A	518,037	-
Total U. S. Department of Health and Human Services			849,835	-
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education Learn and Serve America - School and Community Based Programs	94.004	2343	7,242	-
Department of Homeland Security				
Indirect:				
Florida Department of Education: Cuban/Haitian Entrant Program	97.009		42,159	-
Total U. S. Department of Homeland Security			42,159	-
U. S. Department of Defense:				
Direct:				
Troops to Teachers	None	N/A		-
JROTC				
Army Junior Reserve Officers Training Corps	None	N/A	156,202	-
Navy Junior Reserve Office Training Corps	None	N/A	52,580	-
Marine Corps Junior Reserve Officers Training Corps	None	N/A	55,293	-
Total U. S. Department of Defense			264,075	-
Total Expenditures of Federal Awards			\$ 101,662,482	\$ 237,675

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, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2008. We did not audit the financial statements of the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We considered Finding 2007-01 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiency described above is not a material weakness.

We noted certain immaterial instances of internal control related matters that we reported to management of the District in a separate letter dated March 28, 2008.

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, 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.

Cherry, Bekaert & Holland, L.L.P.

St. Petersburg, Florida
March 28, 2008



**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, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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, 2007.

Internal Control Over Compliance

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

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

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

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

This report is intended for the information of the District School Board, 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.

Cherry, Bekaert & Holland, L.L.P.

St. Petersburg, Florida
March 28, 2008

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

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

<u>Name of Program</u>	<u>CFDA #</u>
U.S. Department of Education:	
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Education Technology State Grants	84.318
Reading First	84.357

7. The threshold used to distinguish between Type A and Type B programs was \$3,000,000.
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, 2007

Part II – Findings - Financial Statement Audit

Finding: 2007-01 – Significant Deficiency

Capital Leases

Criteria: Capital leases should be recognized, measured and reported in accordance with generally accepted accounting principles.

Statement of Condition: The District entered into two master lease agreements with Dell and Apple Computer whereby the District would lease computer equipment from time to time. The leased equipment is subject to the lease financing arrangement defined in the master lease agreement. It appears the District did not establish policies and procedures to appropriately recognize, measure and report the leased equipment in accordance with generally accepted accounting principals. We also noted the following relating to the recording of the capital lease transactions:

- Approximately \$9.6 million was incorrectly recognized as an asset and liability in the government wide financial statements for period ending June 30, 2007 rather than the period ending June 30, 2008.
- Capital lease depreciation was incorrectly recorded based on the purchase order date rather than the lease inception date on all of the capital lease transactions. Other minor depreciation calculation errors were also noted.
- It appears there was no reconciliation or review to ensure that compiled schedules (prepared by purchasing) of the lease transactions were in agreement with the Dell and Apple lease schedules.

Recommendation: We recommend that policies and procedure be establish to ensure that capital lease transactions are appropriately recognized, measured and reported. The leasing transactions should be reconciled and reviewed periodically to ensure that the leasing activity is complete and accurate.

Management Response:

The District is developing and implementing procedures to ensure that capital lease transactions are properly recorded. Additionally, the District will implement procedures to review and reconcile lease transactions on a periodic basis to ensure that the leasing activity is complete and accurate.

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

None

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**Corrective Action Plan
Year Ended June 30, 2007**

The District's corrective action plan for Finding 2007-01 was included in the Schedule of Findings and Questioned Costs under "Management Response."

DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

Summary Schedule of Prior Audit Findings Year Ended June 30, 2007

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
June 30, 2006 06-01	Capital Assets - Depreciation Expense	Errors noted in spreadsheet that District used to calculate accumulated depreciation.	Corrected	The District has implemented an internal control to have an appropriate person review the accuracy of the spreadsheet.
06-01	Capital Assets - Land Improvements - Non-depreciable	The District capitalized certain expenditures 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.	Corrected	During the current year, the District changed the procedure for classifying improvements and set up a new general ledger account to track related maintenance costs.
06-01	Capital Assets - Reconciliation of Capital Assets	The District did not reconcile the capital asset subsidiary ledgers to TERMS during the fiscal year. As a result, a \$2.6 million expenditure was not recorded as a capital assets on the governmental-wide financial statements.	Corrected	The District reconciled the primary subsidiary ledger maintained by the property management system to TERMS.
06-02	Federal Pell Grant Program - Internal Control over Eligibility	The District's "2005-2006 Pell Grant Worksheet" (a PTEC internal worksheet) includes a section for eligibility verification that was not completed for 3 of the 25 students tested.	Corrected	The District has implemented procedures to ensure the eligibility verification section of the worksheet is completed.

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 governmental activities, each major fund, the aggregate discretely present 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, 2007, and have issued our report thereon dated March 28, 2008. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and our Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Findings and Questioned Costs. 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 March 28, 2008, 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 address deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes. There were no such 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.

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.

St. Petersburg, Florida
March 28, 2008

Cherry, Bekaert & Holland, L.L.P.

District School Board of Pinellas County, Florida

Appendix A -- Management Letter Comments

June 30, 2007

In planning and performing our audit of the financial statements of the governmental activities, each major fund, the 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, 2007, which collectively comprise the District's basic financial statements, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

During our audit we became aware of matters that present opportunities for strengthening internal control and operating efficiency. We will review the status of these comments during our next audit engagement.

CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

Financial Reporting

Observation: Certain footnote disclosures were not in agreement with the financial statements. In addition, numerous reclassifications were made to record certain financial statement amounts appropriately.

Recommendation: We recommend that greater care be taken to ensure financial statement amounts are appropriately classified and footnote disclosures are complete and accurate.

Information Technology

Intrusion Protection

Observation: We noted there is no intrusion prevention or detection system in place to monitor the District's network traffic for possible intrusion attack.

Recommendation: We recommend that the District implement an intrusion prevention or detection system and periodically monitor the results of intrusion prevention activity.

Disaster Recovery Plan

Observation: The District's disaster recovery plan has not been tested.

Recommendation: We recommend that The District periodically test their disaster recovery plan.

Vulnerability Assessment and Penetration Testing

Observation: A third party vulnerability assessment and penetration testing has never been conducted against the District's network.

Recommendation: The District should contract with a third party service provider to conduct vulnerability assessment and penetration testing against the District's network from time to time including when changes are made to the network.

District School Board of Pinellas County, Florida

**Appendix B
Prior Year's Management Letter Comments
June 30, 2007**

<u>Prior Year's Recommendations</u>	<u>Comment continues to be relevant</u>	<u>Comment has been addressed or is no longer relevant</u>
Purchasing Physical access to bid files		X