



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



ALACHUA COUNTY

DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

Alachua County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Tina Pinkoson, Chair to 11-21-05</i>	<i>1</i>
<i>Eileen F. Roy</i>	<i>2</i>
<i>F. Wesley Eubank, Vice-Chair to 11-21-05, Chair from 11-22-05</i>	<i>3</i>
<i>Janie S. Williams</i>	<i>4</i>
<i>Virginia S. Childs, Vice-Chair from 11-22-05</i>	<i>5</i>

Dr. W. Daniel Boyd, Jr., Superintendent

AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

ALACHUA COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
FINDINGS AND RECOMMENDATIONS.....	1
FINANCIAL SECTION	9
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	10
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	12
BASIC FINANCIAL STATEMENTS	23
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	60
FEDERAL REPORTS AND SCHEDULES	63
MANAGEMENT RESPONSE.....	75

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Alachua County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

Summary of Audit Findings**Finding No. 1: Board Meetings and Minutes**

District procedures did not ensure that minutes for informal meetings were recorded and subsequently reviewed and approved by the Board. Additionally, although typed minutes were recorded for 15 workshops and two Superintendent's Wellness Committee meetings, the minutes were not reviewed and approved by the Board.

Finding No. 2: Personnel Administration

District procedures did not provide for the timely verification of the accuracy of pay-rate calculations and other information that were entered into the personnel system by an employee other than the one who input the information. Absent such a procedure, the District had limited assurance that all personnel data entered was accurate and that all changes were authorized.

Finding No. 3: Background Screening

The District did not implement procedures recommended by the Florida Department of Education for timely obtaining fingerprints and performing background screenings required by law for instructional and noninstructional employees who have direct contact with students.

Finding No. 4: Employee Exit Interviews

The District did not document that exit interviews were conducted for employees terminating employment. Exit interviews are necessary to help ensure recovery of District property assigned to employees and that access to the District's information technology resources is terminated.

Finding No. 5: Day-Labor Project Inspections

The District did not have a formal process to evidence the review of project documents for compliance with the Uniform Building Code and the final inspection of projects upon completion.

Finding No. 6: Annual Facility Safety Inspections

District procedures did not ensure that facility deficiencies noted on the annual comprehensive safety inspection reports were timely corrected.

Finding No. 7: Maintenance of Tangible Personal Property Records

Some reports produced by the District's tangible personal property system contained errors because software updates were not functioning properly. Additionally, tangible personal property records did not include certain information on the disposal of property items.

Finding No. 8: Tangible Personal Property Inventories

The District did not have adequate procedures to ensure inventories of tangible personal property were taken upon change of property custodian, contrary to School Board Rules. In the absence of a complete physical inventory upon change of custodian, the District may be limited in its ability to fix responsibility for the loss of property items.

Finding No. 9: Federal Privacy Regulations

The Board had not established policies or procedures to ensure compliance with Health Insurance Portability and Accountability Act (HIPAA) regulations, nor had the District identified all records to which these Federal regulations apply.

Finding No. 10: Charter School Monitoring

Improvement was needed in the District's procedures for monitoring and reviewing insurance for its charter schools. The District did not receive evidence of renewal for any of the charter schools at least 30 days prior to the expiration of the insurance policy. Additionally, in 11 instances, the minimum insurance amounts retained by the charter schools did not meet the minimum requirements required in the charters.

Finding No. 11: Information Technology - Steering Committee

The District had not established an Information Technology (IT) steering committee that would provide for top management involvement in the IT function, facilitate coordination and integration among departments and functions with respect to IT activities, and provide more effective management control over the allocation of resources in a manner that best reflects organizational goals.

Finding No. 12: Information Technology – Security Administration

The District did not ensure employees within its Information Resources Department had undergone criminal history background and fingerprint record checks prior to being given access to information technology resources and electronic data within this department.

Finding No. 13: Grants Administration

The District's Improving Teacher Quality State Grants project application for the 2005-06 award year was received by the Florida Department of Education (FDOE) on July 1, 2005; however, because of missing information and the lack of timely follow-up and resolution of the missing information by the District, the project application was not approved by FDOE until June 9, 2006. In the absence of an approved application, the District was not able to file for cost reimbursements using the FDOE on-line reporting system, temporarily necessitating the use of other program funds.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Improving Teacher Quality State Grants, and Head Start programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance and internal control findings that are summarized below.

Federal Awards Finding No. 1: Cash Management

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

Federal Awards Finding No. 2: Allowable Costs/Cost Principles – Improving Teacher Quality State Grants Program

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

Federal Awards Finding No. 3: Allowable Costs/Cost Principles – Head Start

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

Audit Objectives and Scope

Our audit objectives were to determine whether the Alachua County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in prior audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.

This audit was conducted by Martin A. Schneider, CPA, and supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site www.state.fl.us/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FINDINGS AND RECOMMENDATIONS

Additional Matters

Finding No. 1: Board Meetings and Minutes

District procedures did not ensure that minutes were prepared for all Board meetings and subsequently reviewed and approved by the Board. Section 1001.42(1)(a), Florida Statutes, provides that the minutes of each Board meeting shall be reviewed, corrected if necessary, and approved at the next regular meeting, or at an intervening special meeting if the Board desires. Section 286.011(2), Florida Statutes, requires that all minutes of a Board be promptly recorded and open to public inspection.

The *GOVERNMENT-IN-THE-SUNSHINE MANUAL* prepared by the Office of the Attorney General indicates, in Part I, Section C.1., that the Sunshine Law extends to any gathering, whether formal or casual, of two or more members of the same board or commission to discuss some matter on which foreseeable action may be taken by the public board or commission. In addition, the *GOVERNMENT-IN-THE-SUNSHINE MANUAL*, Section D, indicates that the Sunshine Law specifically applies to informal discussions and workshops and refers to the Florida Supreme Court's statement that "collective inquiry and discussion stages" are embraced within the terms of the Statute.

During the period July 1, 2005, through March 31, 2006, the Board held 45 meetings, including 14 regular meetings, 7 special meetings, 15 workshop meetings, 7 informal meetings, and 2 Superintendent Wellness Committee meetings. Our audit indicated that minutes for regular and special meetings were timely recorded and approved by the Board. Minutes were recorded for the 15 workshops and the 2 Superintendent's Wellness Committee meetings; however, the minutes were not reviewed and approved by the Board. For the seven informal meetings, forms were prepared documenting issues discussed by the Board; however, minutes were not recorded and approved by the Board.

Recommendation: **The Board and the Superintendent should take appropriate action to ensure that minutes of all meetings subject to the provisions of the Sunshine Law are prepared, reviewed by the Board, corrected if necessary, and timely approved.**

Finding No. 2: Personnel Administration

Responsibilities of calculating pay rates and inputting this and other information into the District's personnel system for new and existing employees had been assigned to one employee. In March 2006, the District assigned a second employee to help perform these responsibilities. However, the District's procedures did not provide for the timely verification of the accuracy of pay-rate calculations and other information entered into the personnel system by an employee other than the one who input the information. Absent such a procedure, the District cannot be assured that all personnel data entered was accurate and that all changes were authorized. Under these

circumstances, there is an increased risk that errors or fraud, should they occur, might not be timely detected by other District employees while performing their regularly assigned duties.

Upon notification of this deficiency, the District implemented new procedures in May 2006 to provide for the verification of pay rate calculations and other information by another employee.

Recommendation: The District should continue its efforts to ensure that personnel data entered into the District's personnel system is verified by a person other than the one who entered the data, thereby ensuring all changes are authorized and accurate.

Finding No. 3: Background Screening

The District should improve its procedures for timely obtaining fingerprints and background screenings for instructional and noninstructional staff that have direct contact with students or may be on campus when students are present. Sections 1012.56(9) and 1012.465, Florida Statutes (2004), require that instructional personnel renewing their teaching certificates and noninstructional personnel undergo a level 2 background screening, which includes fingerprinting, every five years following initial screening upon employment. To address the needed background screenings of current employees, the Florida Department of Education, in a memorandum dated June 25, 2004, recommended that districts conduct background screenings for certified instructional employees every five years, at the time of renewal of their teaching certificates, and that background screenings be obtained for approximately 20 percent of the noninstructional employees each year, beginning with fiscal year 2004-05, in order to complete background screenings for all employees over the five-year period ending July 1, 2009.

At the time of our review in February 2006, District records did not evidence that a process for performing the required fingerprinting and background screenings had been established. The District did not conduct the required fingerprinting and background screenings for any of the 20 instructors in our sample who went through the recertification process during the 2005-06 fiscal year. Additionally, fingerprinting and background screenings for noninstructional personnel already employed as of July 1, 2004, had not begun.

In March 2006, the District identified 3,433 regular employees who had not been fingerprinted and screened since before June 30, 2004. The District also developed a Plan for Refingerprinting Employees, dated March 30, 2006, which provided for fingerprinting and background screening 894 instructional and noninstructional employees (26 percent of the 3,433 regular employees identified) during the 2005-06 fiscal year. The Plan, however, excluded fingerprinting and screening employees who were in the Deferred Retirement Optional Program; even though many of these employees had not been screened in over 25 years.

Recommendation: The District should enhance its procedures to ensure that required fingerprinting and background screenings are performed for all staff on a timely basis.

Finding No. 4: Employee Exit Interviews

Our review of the employee termination process indicated that procedural improvements could be made with respect to retrieval of the District's property and the termination of computer access to the District's information technology files. We reviewed the personnel files and other records for seven employees who terminated employment from the District during the 2005-06 fiscal year. Except for key check out lists to evidence that the terminated employees had returned District keys for three of the seven employees, the District did not provide documentation to evidence that District staff held exit interviews or performed other exit procedures for these employees. The Human Resources department had developed an Employee Exit Property Return Form for use by the worksite supervisors; however, at the seven locations we visited for the seven employees selected for review, the staff at each of these locations were unaware of the form. Additionally, one employee who terminated employment in November 2005 still had access to the District's information technology systems at the time of our review in March 2006.

Recommendation: The District should develop a comprehensive checklist for use by District staff to ensure that employees terminating employment have returned all District property, and access to computer files has been properly removed prior to the District issuing the employee's final paycheck.

Finding No. 5: Day-Labor Project Inspections

Section 1013.38(1), Florida Statutes, requires district school boards to ensure that all new construction, renovation, remodeling, day-labor, and maintenance projects conform to applicable building codes and life safety codes. The Florida Department of Education's publication, *State Requirements for Educational Facilities-1999*, Section 4.1(3), describes day-labor projects as construction projects costing less than \$200,000 that are constructed using authorized employees of a district school board. Section 1013.37(2)(c), Florida Statutes, provides that verification of compliance for nonoccupancy projects may be certified by the architect or engineer of record and, for other projects, may be by an inspector certified by the Florida Department of Education or certified pursuant to Chapter 468, Florida Statutes, who is not the architect or engineer of record.

Reviews documenting that day-labor project plans comply with the Uniform Building Code (UBC) and inspection upon project completion are either conducted by the District's Architect/Limited Inspector or the University of Florida's Division of Environmental Health and Safety Building Code Administrator. We reviewed four day-labor projects performed by District personnel during the 2005-06 fiscal year. For one project, Camp Crystal Bathroom Renovations, the District was unable to document a licensed inspector's review of project documents for compliance with the UBC or final inspection of the project upon completion. The District had no formal documentation process for the review of project documents for compliance with the UBC or the final inspection of projects upon completion.

Subsequent to our review, the District developed procedures and forms in April 2006 to document the review of project documents and final inspection.

Recommendation: To help protect the health and safety of the students, staff, and public occupying the District's educational facilities, the District should continue its efforts to ensure that the required inspections of day-labor projects are performed and documented.

Finding No. 6: Annual Facility Safety Inspections

Section 1013.12, Florida Statutes, requires that each district school board provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the rules of the Commissioner of Education. Further, fire safety inspections are required to be made annually by persons certified by the Division of State Fire Marshal to conduct fire safety inspections in public educational and ancillary plants.

Our review of the District's annual comprehensive facilities inspection records for schools and ancillary plant facilities for the 2005-06 fiscal year disclosed that the District had not corrected many deficiencies cited in reports of prior years. We selected 4 of the District's 38 schools and noted the following conditions:

- For the 4 schools reviewed, the number of total citations increased from 850 for the 2004-05 fiscal year to 948 for the 2005-06 fiscal year.
- Approximately 50 percent or 423 of the 850 deficiencies cited in the fiscal year 2004-05 report had not been corrected by the District.
- From the District's 2005-06 fiscal year report, we noted the 4 schools had 131 priority one citations, defined as "serious", of which 63 were repeat citations from prior years. The inspection reports indicated these unresolved deficiencies had been cited in previous inspection reports ranging from one to ten years.
- Some items cited more than four times included flammable/combustible storage shall be stored in proper area; flammable storage area shall be brought up to code; install heat detectors; and emergency lighting shall be tested and provided throughout the campus.

The increase in citations from the prior year and failure to provide for timely correction of facility deficiencies results in an increased risk that facilities could become unsafe for occupancy, and could result in additional costs in the future due to further deterioration. A similar finding was discussed in our report No. 2004-206.

Recommendation: The District should review its maintenance and planning procedures to ensure that facility fire and casualty safety and sanitation needs noted in the annual inspection reports are timely corrected. Periodically, property custodians and other employees should be provided guidelines to be followed at schools for reporting deficiencies and the proper storing of materials.

Finding No. 7: Maintenance of Tangible Personal Property Records

Chapter 10.400, Rules of the Auditor General, prescribed the records and procedures required for maintaining accountability of District-owned tangible personal property and the information required to be recorded in the District's records. Our review of the District's compliance with these requirements disclosed the following:

- As of August 1, 2006, the District’s tangible personnel property record system included 1,804 items with a total cost of \$4,253,083 which did not include the physical location (school, building, and room) of the property item.
- In a prior fiscal year, the District implemented a new system to maintain accountability of its tangible personal property. Our review of reports generated from this system in March 2006 disclosed 426 property items which had been marked as disposed were still reported as active. Upon our inquiry, District programming staff researched this error and determined that updates installed in September 2005 and January 2006 were not functioning properly.
- Section 10.470, Rules of the Auditor General, required the District to include certain information in the District’s property records for each item disposed, including the manner of disposition and if cannibalized, scrapped, or destroyed, the identity of the employee witnessing the disposition. The District did not have a procedure for documenting and recording the identity of the employee witnessing the disposition.

Pursuant to Chapter 2006-122, Laws of Florida, rulemaking authority for local government-owned tangible personal property was transferred from the Auditor General to the State Chief Financial Officer, effective July 1, 2006. In the future, the District should consider the rules issued by the Chief Financial Officer in maintaining adequate accountability for tangible personal property.

Recommendation: The District should ensure its property records are accurate and complete and that its property record system is functioning as intended.

Finding No. 8: Tangible Personal Property Inventories

Improvements were needed in procedures to ensure that inventories of tangible personnel property were taken upon change of property custodian. Board Rules 7.12(1)(b) and (c) require that at the time of a change in property custodian, the designated property control officer for the outgoing principal or cost center supervisor and the incoming principal or cost center supervisor make an inventory of all school equipment under their control.

Documentation was not available to demonstrate that a physical inventory was taken at two schools where the principals changed and at one cost center where the food service director changed during the 2005-06 fiscal year. Although District procedures provide for the Physical Distribution Center to perform the inventory when the custodian changes, there does not appear to be an effective method of notifying the Center staff when custodians change. In the absence of a complete physical inventory upon change of custodian, the District may be limited in its ability to fix responsibility for the loss of property items.

Recommendation: The District should enhance its procedures to provide for the inventory of property when there is a change in the property control officer (school principal or cost center supervisor).

Finding No. 9: Federal Privacy Regulations

The Health Insurance Portability and Accountability Act of 1996 (HIPAA), Public Law 104-191, addresses data interchange, privacy, and information security standards for personal health information. Pursuant to HIPAA,

the United States Department of Health and Human Services has published regulations on electronic data interchange standards and privacy. HIPAA also provides for civil and criminal penalties for noncompliance.

The Board had not established policies or procedures to ensure compliance with HIPAA regulations, nor had the District identified those records to which these Federal requirements apply. Without such a determination, the District is at risk that access to these records could be provided to unauthorized individuals. Additionally, the District has not evaluated the effects and established written policies regarding HIPAA for electronic records maintained or processed through the District's Information Resources Department. Identifying and establishing policy for records impacted by these regulations is necessary to ensure electronic data files and records are maintained and used in compliance with applicable Federal regulations.

Recommendation: The District should implement procedures as necessary to ensure compliance with HIPAA regulations.

Finding No. 10: Charter School Monitoring

Improvements were needed in the District's procedures for monitoring and reviewing insurance requirements of its charter schools. During the 2005-06 fiscal year, the District sponsored 15 charter schools. Charter contracts with these schools required that evidence of insurance renewals for general liability, automobile liability, workers' compensation/employers' liability, school leaders errors and omissions, and property damage liability be provided to the District no less than 30 days before the expiration or termination of the required insurance. Additionally, the charter contracts required minimum limits for each insurance coverage (inclusive of any amounts provided by an umbrella or excess policy) of \$1,000,000 per occurrence and \$2,000,000 annual aggregate.

Our review disclosed the District did not receive evidence of renewal for any of the charter schools at least 30 days prior to the expiration of the policy. Renewal notices from the insurers ranged from 1 day to 77 days after the policy had expired. Additionally, in 11 instances, the minimum insurance amounts retained by the charter schools did not meet the minimum requirements in the charter contracts. For example:

- DeSoto High School, Inc., and Expressions Learning Academy, Inc., had obtained the required types of insurance coverage, but their policy declarations did not include the \$2,000,000 aggregate for automobile liability, workers' compensation, or the school leaders errors and omissions. Additionally, no excess insurance had been obtained.
- Genesis Preparatory School, Inc., had obtained the required types of insurance coverage, but the policy declarations did not include the \$2,000,000 aggregate for automobile liability and school leaders errors and omissions insurance. Also, the limits for worker's compensation insurance were \$100,000/\$500,000, rather than \$1,000,000/\$2,000,000. The school did purchase \$1,000,000 in excess insurance.

Recommendation: The District should improve monitoring procedures to ensure that the charter schools provide timely evidence of the required renewal of insurance coverage.

Finding No. 11: Information Technology - Steering Committee

A steering committee should oversee Information Technology (IT) functions. Responsibilities should include review of long-range IT plans and decisions regarding major systems acquisitions and modifications. An IT steering committee also should monitor performance of the IT department and make decisions regarding organizational and personnel changes. Steering committee membership should include representatives from management, both inside and outside the IT function, including the users of the various IT applications.

The District had not established an IT steering committee. Effective use of a formal IT steering committee provides for top management involvement in the IT function, facilitates coordination and integration among departments and functions with respect to IT activities, and provides more effective management control over the allocation of resources in a manner that best reflects organizational goals.

Recommendation: **The District should establish an information technology steering committee to oversee and monitor its information technology systems and resources.**

Finding No. 12: Information Technology – Security Administration

The District has assigned three employees in the Information Resources Department the responsibility for security administration tasks relating to electronic data, communications, and technology. These employees have security responsibilities with respect to the District's mainframe, and Customer Information Control System (CICS), Content Management Systems (CMS), Bi-Tech, network, and email systems.

Our audit disclosed that one of these employees had not undergone a criminal history background and fingerprint record check and the District had no formal policy requiring a background check, including fingerprinting, for its security administrators within its Information Resources Department. To help ensure its information technology resources and electronic data are adequately safeguarded, the District should ensure employees within its Information Resources Department have undergone criminal history background and fingerprint record checks prior to being given access to resources within this department.

Recommendation: **The District should ensure all employees with security administration access to the District's information technology resources have had a proper background check.**

Finding No. 13: Grants Administration

During the 2005-06 fiscal year, the District administered the Improving Teacher Quality State Grants program for teacher and principal training and recruiting. Expenditures for the program relating to the 2005-06 award year totaled \$1,040,594. Funding was received through the Florida Department of Education's (FDOE) Federal Cash Advance on-line reporting system, whereby claims for reimbursement could be submitted monthly.

The District's initial project application for the 2005-06 award year was received by FDOE on July 1, 2005; however, the project application was not officially approved due to missing information, such as common

assurances for participation required by applicable Federal regulations, results of an assessment of local needs, and annual measurable objectives. FDOE notified the District of these concerns on August 8, 2005; however, because of the absence of timely follow-up and resolution of the missing information, the District's project application was not approved until June 9, 2006. In the absence of an approved application, the District was not able to timely file for cost reimbursements using the FDOE on-line reporting system, necessitating the use of other program funds.

Recommendation: The District should ensure project applications are complete prior to original submission and that deficiencies found by the grantor are resolved in a timely manner.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in prior audit reports.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Alachua County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 75 through 77.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

EXHIBIT – D *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

EXHIBIT – E *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

EXHIBIT – F *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

EXHIBIT – G *Statement of Fiduciary Net Assets – Fiduciary Funds.*

EXHIBIT – H *Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.*

EXHIBIT – I *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT – J *Budgetary Comparison Schedule – General and Major Special Revenue Funds.*

EXHIBIT – K *Notes to Required Supplementary Information.*



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed on page 9. 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 school internal funds, which represent 19 percent of the assets and 77 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate

discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board as of June 30, 2006, and the respective changes in financial position 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 a report on our consideration of the Alachua County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. 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 (pages 12 through 21) and the Budgetary Comparison Schedule (shown as exhibits J and K) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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 the United States Office of Management and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA
November 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Alachua County District School Board 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) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2005-06 fiscal year are as follows:

- The District's overall financial status increased over the course of the year. Total net assets increased from \$72.9 million to \$73 million, which represents a 0.1 percent increase from the 2004-05 fiscal year.
- The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$17.3 million, up from \$14.4 million in the prior year. During the current year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$2.9 million.
- General revenues account for \$227 million, or 89.8 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$25.8 million, or 10.2 percent.
- The District has \$252.8 million in expenses; only \$25.8 million are offset by program specific charges. General revenues, primarily ad valorem taxes and Florida Education Finance Program (FEFP) revenues, paid for the remaining expenses of the District's programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents 16 separate legal entities in this report including 15 charter schools and one foundation, which are reported as discretely presented component units. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Alachua County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

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. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories as discussed below.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital

Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses trust funds to account for the District's early retirement program and the J. Dale Haynie Trust, and agency funds to account for resources held for student activities and groups and for a career services award program.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net assets were \$73 million at June 30, 2006. The largest portion of the District's net assets (75.3 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves will not be used to liquidate these liabilities. An additional portion of the District's net assets (\$24.7 million) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The adoption of GASB Statement 34 resulted in the District having to expense its long-term compensated absences in the government-wide statements. This change in accounting principle resulted in the recording of \$20.7 million in expenses for compensated absences, which results in the shortfall of unrestricted net assets. The District will be closely monitoring its expenditures in the future to reduce its operating budget and increase its unrestricted net assets.

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2006, compared to net assets as of June 30, 2005:

Net Assets, End of Year

	Net Assets	
	6-30-06	6-30-05
Current and Other Assets	\$ 70,396,440	\$ 75,604,698
Capital Assets	161,964,535	163,429,825
Total Assets	232,360,975	239,034,523
Current and Other Liabilities	10,515,244	8,424,929
Long-Term Liabilities	148,810,225	157,665,381
Total Liabilities	159,325,469	166,090,310
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	55,011,587	56,380,817
Restricted	24,650,859	31,688,918
Unrestricted (Deficit)	(6,626,940)	(15,125,522)
Total Net Assets	\$ 73,035,506	\$ 72,944,213

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from that statement and rearranges it slightly so the reader can readily see the total revenues for the year. Prior year data is also presented for comparison purposes.

Operating Results of the Year

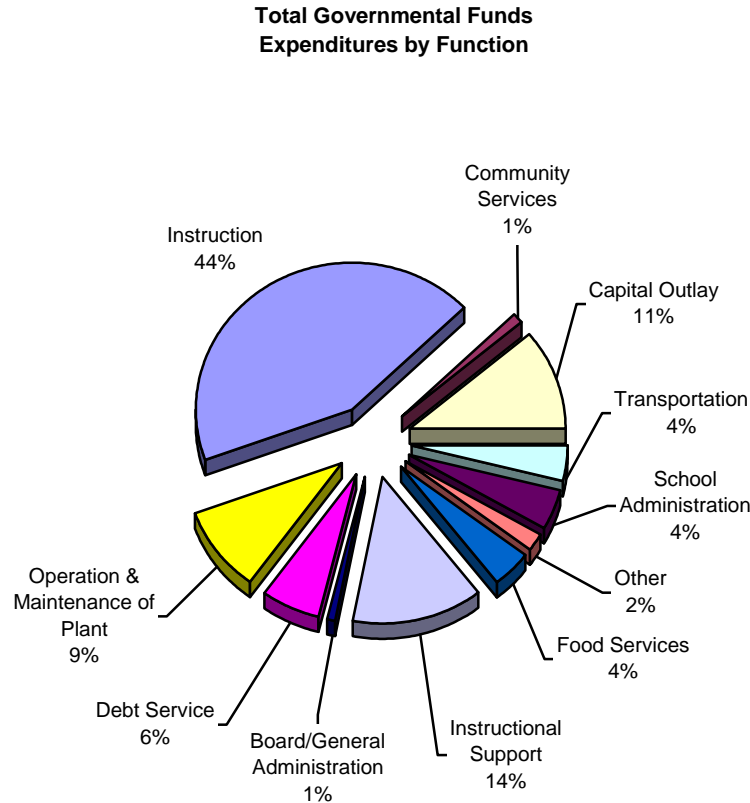
	Governmental Activities	
	6-30-06	6-30-05
Program Revenues:		
Charges for Services	\$ 7,371,908	\$ 7,201,412
Operating Grants and Contributions	13,622,124	12,762,127
Capital Grants and Contributions	4,838,195	7,805,335
General Revenues:		
Ad Valorem Taxes	83,914,792	76,406,264
Grants and Contributions Not Restricted	136,731,020	134,493,909
Other General Revenues	6,432,013	4,140,293
Total Revenues	252,910,052	242,809,340
Functions/Program Expenses:		
Instruction	113,736,564	108,746,590
Pupil Personnel Services	14,390,676	13,572,945
Instructional Media Services	4,424,025	4,326,298
Instruction and Curriculum Development Services	10,191,349	10,129,307
Instructional Staff Training Services	4,037,054	3,374,431
Instruction Related Technology	2,658,259	
Board of Education	636,666	577,325
General Administration	1,112,689	1,192,818
School Administration	11,420,298	10,998,744
Facilities Acquisition and Construction	9,406,740	6,898,734
Fiscal Services	1,287,272	1,241,277
Food Services	11,460,932	10,911,574
Central Services	2,748,803	4,507,573
Pupil Transportation Services	11,805,809	11,017,822
Operation of Plant	20,500,337	19,065,032
Maintenance of Plant	4,272,078	4,600,643
Administrative Technology Services	1,035,091	
Community Services	2,984,558	2,768,636
Interest on Long-Term Debt	5,326,804	6,681,408
Unallocated Depreciation	19,382,754	19,290,417
Total Functions/Program Expenses	252,818,759	239,901,574
Increase in Net Assets	\$ 91,293	\$ 2,907,766

As reported in the Statement of Activities, the cost of all the governmental activities this year was \$252.8 million. The amount that the taxpayers ultimately financed for these activities was \$227 million because some of the cost was paid by those who benefited from the programs (\$7.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$18.4 million). The District paid for the remaining “public benefit” portion of the governmental activities with \$83.9 million in ad valorem taxes, \$136.7 million in grants and contributions not restricted to specific programs, and \$6.4 million with other general revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses funds to help it control and manage money for particular purposes. Looking at the funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it, but may also give the reader more insight into the District's overall financial health. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

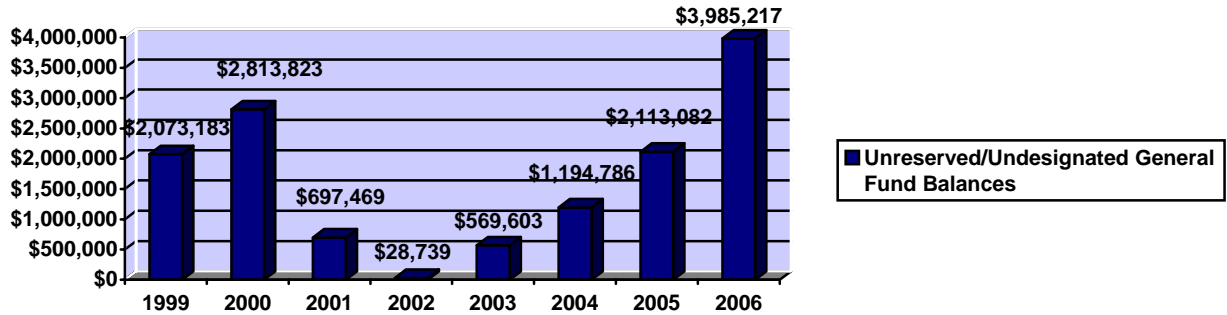
As of June 30, 2006, the District’s governmental funds reported a combined fund balance of \$59.9 million, which is a decrease of \$7.3 million from the prior year. The overall decrease is principally due to facility acquisition and construction from funds raised in previous years. The following chart shows the percentage of governmental fund expenditures by function for the fiscal year ended June 30, 2006.



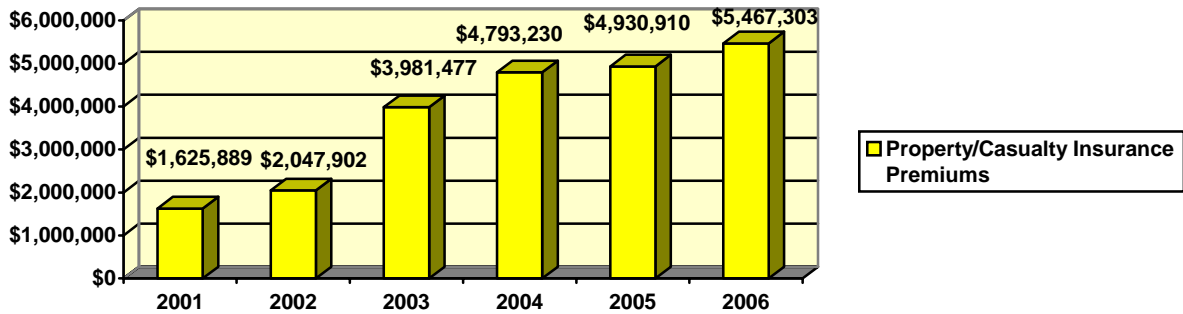
As a result of prior year deteriorating financial conditions, the School Board adopted a fund balance policy for the General Fund to target a fund balance reserve of 4 percent of the recurring expenditure budget. Several measures have had a positive impact in reaching this goal, and the School Board’s effort to improve the financial stability of the District is readily apparent. The fund balance of the General Fund, which is the chief operating fund of the District, for fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, are \$12.9 million, \$14.4 million, and \$17.3 million, respectively.

Unreserved/Undesignated General Fund Balances. The School Board has been addressing the District’s weak financial condition from past years. The District’s unreserved/undesignated General Fund balance has increased to \$4 million at June 30, 2006, from a low of \$29 thousand at June 30, 2002. A primary factor impacting the District’s weak financial position was increased insurance costs as shown in the graph under the heading *Property Casualty Insurance Premium Increases*. Other factors include decreases in overall enrollment, weak investment earnings, and increases in charter school enrollment. Due to the enactment of Fund Balance Policy 7.01(2) and the implementation of the Budget Stabilization Plan, the District has experienced a recent increase in

unreserved/undesignated fund balance. Following is an eight-year history of the District's unreserved/undesignated General Fund balances.



- **Property/Casualty Insurance Premium Increases.** The District has experienced significant increases in insurance premiums over the past several years. The following graph depicts historical property/casualty insurance premiums of the District.



GENERAL FUND BUDGETARY HIGHLIGHTS

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

In 2005-06, the District continued implementation of the Budget Stabilization Plan started in 2001-02 necessitated by declining State revenues. The Board continues to focus on increasing the fund balance (pursuant to the Fund Balance Policy 7.01(2)) as evident in the approved 2006-07 budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At June 30, 2006, the District had \$162 million invested in a broad range of capital assets, including land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The amount represents a net decrease (including additions, deletions and depreciation) of \$1.5 million from last year.

Capital Assets at Year-End

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 3,035,974	\$ 2,940,438
Construction in Progress	3,131,224	3,686,883
Improvements Other than Buildings	26,811,678	24,734,010
Buildings and Fixed Equipment	292,508,428	278,382,226
Furniture, Fixtures, and Equipment	24,485,763	24,025,941
Motor Vehicles	15,729,719	14,746,747
Audio Visual Materials and Computer Software	5,647,032	5,353,777
Property Under Capital Lease	3,580,564	7,780,564
Less: Accumulated Depreciation	<u>(212,965,847)</u>	<u>(198,220,762)</u>
Total Capital Assets, Net	<u>\$ 161,964,535</u>	<u>\$ 163,429,824</u>

Long-Term Debt

At the end of the year the District had \$128.1 million in debt outstanding compared to \$137 million at the end of the previous year, a decrease of \$8.9 million, or 6.5 percent. The net decrease is attributed primarily to \$10.8 million in principal payments.

Long-Term Debt Outstanding at Year-End

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Obligations Under Capital Lease	\$ 513,535	\$ 960,108
Bonds Payable	46,135,000	53,890,000
Certificates of Participation Payable	<u>81,421,000</u>	<u>82,182,000</u>
Total	<u>\$ 128,069,535</u>	<u>\$ 137,032,108</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

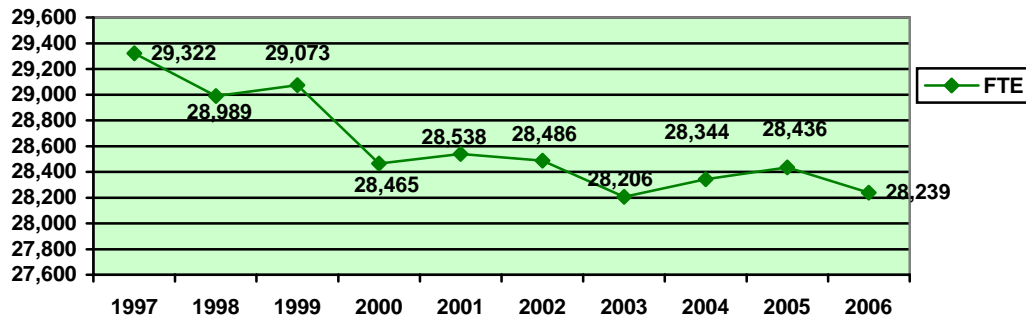
The State of Florida, by constitution, does not have a State personal income tax, and therefore, the State operates primarily using sales, gasoline, and corporate income taxes. State funds to school districts are provided primarily by legislative appropriations from the State's general revenue funds under the Florida Education Finance program (FEFP). The level of tourism in the State heavily influences the amount collected. Significant changes in the anticipated amount of revenues collected by the State could directly impact the revenue allocated to the District.

Revenues from State sources for current operations are primarily from the FEFP administered by the Florida Department of Education (Department) under the provisions of Florida Statutes. The focus of the FEFP bases financial support for education upon the individual student participating in the particular educational program rather than upon the number of teachers or classrooms. FEFP funds are primarily generated by multiplying the number of full-time equivalent students (FTE) in each of the educational programs by cost factors to obtain weighted FTE. Weighted FTE is then multiplied by a base student allocation and by a district cost differential in

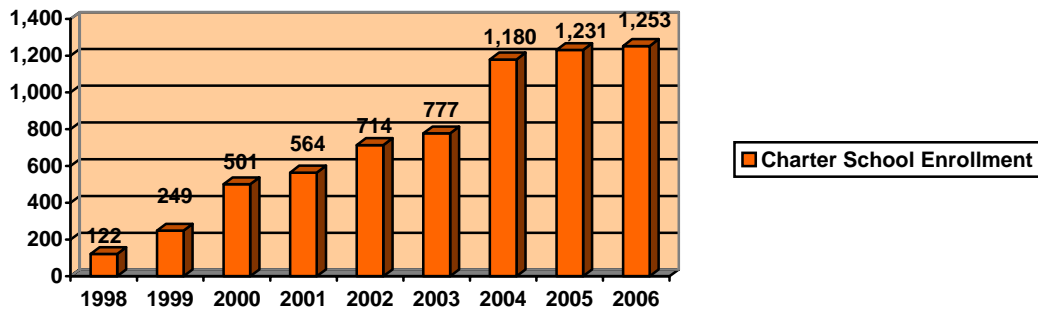
the major calculation to determine the State and local FEFP funds. Program cost factors are determined by the Legislature and represent relative cost differences among the FEFP programs.

SIGNIFICANT ECONOMIC FACTORS

Student Enrollment and Funding. Revenues from State sources comprise 64.8 percent of total available resources of the General Fund. As shown in the following chart, the District has experienced a general decline in FTE, which is used for funding purposes, over the past several years. Additionally, the District has projected that a general decline in FTE will continue for the next several years.



Charter School Student Enrollment and Funding. Included in the pupil population for Alachua County are 15 Charter Schools, which are public schools that are operated by independent governing bodies under contract with the School Board. The purpose of charter schools is to improve student learning through the use of different and innovative teaching strategies. For the fiscal year ending June 30, 2006, the District had 1,253 students enrolled in the Charter Schools having a budgetary impact on the general operating budget in excess of \$2.5 million dollars. The following chart shows the growth of charter school enrollment.



Local Support

Local revenue for school support is derived almost entirely from property taxes. Each of the 67 school districts in the State is a countywide district.

Each school board participating in the State allocation of funds for current operation of schools must levy the millage set for its required local effort taxes. Each district's share of the State total of required local effort is determined by a statutory procedure that is initiated by certification of property tax valuations of each district by the Department of Revenue. These rates are primarily determined by dividing the dollar amount of required local effort by 95 percent of the aggregated taxable value for school purposes of all districts. Certifications vary due to the use of assessment ratios designed to equalize the effort on the FEFP of differing levels of property appraisal in the counties. Millage rates are also adjusted because required local effort may not exceed 90 percent of a district's total FEFP entitlement.

School boards may set discretionary tax levies of the following types:

- **Capital Outlay and Maintenance.** School boards may levy up to 2 mills for new construction and remodeling, site improvement or expansion to new sites, existing sites, auxiliary facilities, maintenance, renovation, and repair of existing school plants; purchase of new and replacement equipment; and purchases of school buses, driver education vehicles, security vehicles, and vehicles used for maintaining or operation of plants and equipment or in storing or distributing materials and equipment. Payments for lease-purchase agreements for educational facilities and sites are authorized in an amount not to exceed one-half the proceeds of the millage levied under this authority. Proceeds may also be used to repay loans authorized under Florida Statutes, payments of costs directly related to complying with State and Federal environmental statutes and regulations governing school facilities, and payment of costs of leasing portable educational facilities and of renting or leasing educational facilities and sites.
- **Current Operations.** The Legislature set the maximum discretionary current operation millage for 2005-06 at 0.510 mills; however, districts may make an additional supplemental levy, not to exceed 0.250 mills, which will raise an amount not to exceed \$100 per FTE student. For Alachua County Schools in 2005-06, this approved millage was 0.250 mills.

In addition to the board-set levies, qualified electors may vote an additional levy for operations and capital outlay purposes. Tax levies for debt service are in addition to the levies for current operation but are limited by State Board of Education Rule to 6 mills and 20 years duration except with specific State Board approval. Qualified electors may vote for a local bond issue to be retired by a millage levy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMEENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

T. Scott Ward, Chief Financial Officer
The School District of Alachua County, Florida
620 East University Avenue
Gainesville, Florida 32601

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT - A
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 1,371,880.59	\$ 2,135,678.10
Investments	61,691,117.57	550,323.00
Accounts Receivable	67,189.01	48,776.84
Interest Receivable		920.00
Deposits Receivable		1,005,865.23
Prepaid Items	39,201.34	128,549.70
Due from Other Agencies	5,491,410.82	271,417.98
Inventories	1,735,640.55	725.00
Capital Assets:		
Land	3,035,974.25	148,332.00
Land Improvements - Nondepreciable		103,703.00
Construction in Progress	3,131,224.30	1,327.00
Improvements Other Than Buildings, Net	13,741,135.49	375,192.26
Buildings and Fixed Equipment, Net	132,316,703.33	1,432,568.56
Furniture, Fixtures, and Equipment, Net	8,844,439.77	417,233.52
Motor Vehicles, Net	401,670.53	4,537.00
Property Under Capital Lease, Net	149,190.43	233,446.69
Audio Visual Materials and Computer Software, Net	344,196.93	3,340.18
	<u>\$ 232,360,974.91</u>	<u>\$ 6,861,936.06</u>
TOTAL ASSETS	<u>\$ 232,360,974.91</u>	<u>\$ 6,861,936.06</u>
LIABILITIES		
Salaries and Benefits Payable	\$ 234,128.81	\$ 95,403.23
Payroll Deductions and Withholdings	4,555,981.12	10,538.86
Accounts Payable	1,588,472.77	194,258.18
Construction Contracts Payable	2,195,807.15	
Due to Other Agencies	1,054,795.96	133.00
Deposits Payable	35,526.28	31,063.00
Deferred Revenue	850,531.28	99,153.00
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable		33,354.00
Obligations Under Capital Lease	472,891.00	45,558.00
Bonds Payable	7,475,000.00	
Certificates of Participation Payable	2,660,000.00	
Compensated Absences Payable	8,572,498.06	2,900.00
Portion Due After One Year:		
Notes Payable		529,688.00
Obligations Under Capital Lease	40,644.28	108,385.00
Bonds Payable	38,660,000.00	
Certificates of Participation Payable	78,761,000.00	
Compensated Absences Payable	12,168,191.95	4,600.00
	<u>159,325,468.66</u>	<u>1,155,034.27</u>
Total Liabilities	<u>159,325,468.66</u>	<u>1,155,034.27</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	55,011,586.58	2,007,230.21
Restricted for:		
State Categorical Programs	1,250,047.25	
Debt Service	4,810,474.52	
Capital Projects	14,171,755.29	236,807.71
Other Purposes	4,418,582.41	1,609,662.00
Unrestricted	(6,626,939.80)	1,853,201.87
	<u>73,035,506.25</u>	<u>5,706,901.79</u>
Total Net Assets	<u>73,035,506.25</u>	<u>5,706,901.79</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 232,360,974.91</u>	<u>\$ 6,861,936.06</u>

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

EXHIBIT - B
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 113,736,563.64	\$ 2,861,562.15	\$
Pupil Personnel Services	14,390,675.84		
Instructional Media Services	4,424,024.73		
Instruction and Curriculum Development Services	10,191,349.08		
Instructional Staff Training Services	4,037,053.60		
Instruction Related Technology	2,658,258.60		
Board of Education	636,666.25		
General Administration	1,112,688.85		
School Administration	11,420,298.38		
Facilities Acquisition and Construction	9,406,740.46		3,272,743.06
Fiscal Services	1,287,272.45		
Food Services	11,460,932.31	4,304,905.37	7,249,590.04
Central Services	2,748,802.63		
Pupil Transportation Services	11,805,809.37	205,440.34	6,372,534.00
Operation of Plant	20,500,337.33		
Maintenance of Plant	4,272,078.21		613,697.00
Administrative Technology Services	1,035,091.29		
Community Services	2,984,558.34		
Interest on Long-Term Debt	5,326,803.60		951,754.43
Unallocated Depreciation Expenses	19,382,753.64		
Total Primary Government	\$ 252,818,758.60	\$ 7,371,907.86	\$ 4,838,194.49
Component Units:			
Charter Schools/Foundation	\$ 9,332,583.08	\$ 206,451.47	\$ 395,054.00
General Revenues:			
Taxes:			
Property Taxes, Levied for Operational Purposes			
Property Taxes, Levied for Debt Service			
Property Taxes, Levied for Capital Projects			
Grants and Contributions Not Restricted to Specific Programs			
Unrestricted Investment Earnings			
Miscellaneous			
Total General Revenues			
Change in Net Assets			
Net Assets - July 1, 2005			
Net Assets - June 30, 2006			

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (110,875,001.49)	\$
(14,390,675.84)	
(4,424,024.73)	
(10,191,349.08)	
(4,037,053.60)	
(2,658,258.60)	
(636,666.25)	
(1,112,688.85)	
(11,420,298.38)	
(6,133,997.40)	
(1,287,272.45)	
93,563.10	
(2,748,802.63)	
(5,227,835.03)	
(20,500,337.33)	
(3,658,381.21)	
(1,035,091.29)	
(2,984,558.34)	
(4,375,049.17)	
<u>(19,382,753.64)</u>	
\$ (226,986,532.21)	
	<u>(8,661,503.61)</u>
56,794,620.43	
8,548,192.79	
18,571,979.21	
136,731,020.25	8,763,170.76
3,848,035.22	96,958.00
<u>2,583,978.06</u>	<u>96,345.19</u>
<u>227,077,825.96</u>	<u>8,956,473.95</u>
91,293.75	294,970.34
<u>72,944,212.50</u>	<u>5,411,931.45</u>
<u>\$ 73,035,506.25</u>	<u>\$ 5,706,901.79</u>

**EXHIBIT - C
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash	\$ 274,375.56	\$ 71,885.95	\$ 684,464.83
Investments	20,026,289.58	601,092.63	10,602,796.75
Accounts Receivable			
Prepaid Items	819.75		38,381.59
Due from Other Funds	640,227.35	41.94	1,045,900.00
Due from Other Agencies	417,696.28	896,310.45	6,332.45
Inventories	1,308,524.56		
TOTAL ASSETS	\$ 22,667,933.08	\$ 1,569,330.97	\$ 12,377,875.62
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 231,488.37	\$ 2,640.44	\$
Payroll Deductions and Withholding	4,381,608.24	148,486.79	
Accounts Payable	685,053.09	301,821.49	408,666.23
Construction Contracts Payable			266,829.30
Construction Contracts Payable - Retainage			112,391.40
Due to Other Funds	16,099.36	65,500.94	253,177.85
Due to Other Agencies	3,914.65	1,050,881.31	
Deposits Payable	35,526.28		
Deferred Revenue			
Total Liabilities	5,353,689.99	1,569,330.97	1,041,064.78
Fund Balances:			
Reserved for State Categorical Programs	1,250,047.25		
Reserved for Encumbrances	2,728,380.13		4,843,666.72
Reserved for Inventories	1,308,524.56		
Reserved for Other Purposes	1,950,445.63		
Reserved for Debt Service			
Unreserved:			
Designated for Board Contingency	2,204,249.45		
Designated for Extended Day Education Programs	1,554,019.96		
Designated for Terminal Pay	1,158,159.45		
Designated for E-Rate Funds	409,824.10		
Designated for Workforce Development	290,000.00		
Designated for School Miscellaneous	110,000.00		
Designated for Summer School	82,409.05		
Designated for Band Funds	75,802.15		
Designated for Fingerprinting	74,151.30		
Designated for School Improvement Plan	58,501.00		
Designated for Other Purposes	74,512.32		
Undesignated	3,985,216.74		6,493,144.12
Undesignated, Reported in Nonmajor:			
Special Revenue Fund			
Capital Projects Funds			
Total Fund Balances	17,314,243.09	11,336,810.84	11,336,810.84
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,667,933.08	\$ 1,569,330.97	\$ 12,377,875.62

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

EXHIBIT - C

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 56.02	\$ 341,098.23	\$ 1,371,880.59
24,150,231.62	6,310,706.99	61,691,117.57
	67,189.01	67,189.01
		39,201.34
	16,038.67	1,702,207.96
2,389,243.00	1,331,452.88	5,041,035.06
	427,115.99	1,735,640.55
<u>\$ 26,539,530.64</u>	<u>\$ 8,493,601.77</u>	<u>\$ 71,648,272.08</u>
\$	\$	\$
	25,886.09	234,128.81
122,803.96	70,128.00	4,555,981.12
1,291,607.41	157,182.60	1,588,472.77
345,919.13	21,877.31	1,715,619.31
760,590.87	156,463.18	480,187.84
		1,251,832.20
		1,054,795.96
		35,526.28
797,070.00	53,461.28	850,531.28
<u>3,317,991.37</u>	<u>484,998.46</u>	<u>11,767,075.57</u>
1,918,078.40		3,168,125.65
8,023,358.60	789,984.90	16,385,390.35
	427,115.99	1,735,640.55
	4,810,474.52	1,950,445.63
		4,810,474.52
		2,204,249.45
		1,554,019.96
		1,158,159.45
		409,824.10
		290,000.00
		110,000.00
		82,409.05
		75,802.15
		74,151.30
		58,501.00
		74,512.32
13,280,102.27		23,758,463.13
	1,850,183.76	1,850,183.76
	130,844.14	130,844.14
<u>23,221,539.27</u>	<u>8,008,603.31</u>	<u>59,881,196.51</u>
<u>\$ 26,539,530.64</u>	<u>\$ 8,493,601.77</u>	<u>\$ 71,648,272.08</u>

**EXHIBIT - D
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances - Governmental Funds \$ 59,881,196.51

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 161,964,535.03

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

Obligations Under Capital Lease	\$ 513,535.28	
Bonds Payable	46,135,000.00	
Certificates of Participation Payable	81,421,000.00	
Compensated Absences Payable	20,740,690.01	(148,810,225.29)

Total Net Assets - Governmental Activities \$ 73,035,506.25

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

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT - E
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 149,297.17	\$ 5,459,960.83	\$
Federal Through State	807,273.79	18,009,442.84	
State	118,693,735.28		
Local	63,448,787.79		19,248,313.29
Total Revenues	183,099,094.03	23,469,403.67	19,248,313.29
Expenditures			
Current - Education:			
Instruction	101,983,634.61	11,678,711.25	
Pupil Personnel Services	11,602,366.00	2,780,409.54	
Instructional Media Services	4,413,442.95	8,033.14	
Instruction and Curriculum Development Services	5,559,331.41	4,614,350.52	
Instructional Staff Training Services	1,624,213.87	2,415,892.94	
Instruction Related Technology	2,606,374.30	82,269.02	
Board of Education	636,533.26		
General Administration	740,703.07	370,374.69	
School Administration	11,349,529.46	64,081.11	
Facilities Acquisition and Construction	586,997.50	10,987.92	7,250,645.29
Fiscal Services	1,242,396.83	44,314.67	
Food Services			
Central Services	2,621,820.42	102,469.17	
Pupil Transportation Services	9,778,453.39	235,423.11	
Operation of Plant	20,365,613.10	129,038.23	
Maintenance of Plant	4,267,761.55		
Administrative Technology Services	1,049,137.25		
Community Services	2,983,645.17		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	56,864.91		1,199,556.33
Other Capital Outlay	1,213,804.63	933,048.36	1,438,005.82
Debt Service:			
Principal			3,001,573.00
Interest and Fiscal Charges			3,681,075.66
Dues, Fees, and Issuance Costs			
Total Expenditures	184,682,623.68	23,469,403.67	16,570,856.10
Excess (Deficiency) of Revenues Over Expenditures	(1,583,529.65)		2,677,457.19
Other Financing Sources (Uses)			
Transfers In	4,500,000.00		
Refunding Bonds Issued			
Premium on Refunding Bonds			
Certificates of Participation Issued			
Insurance Loss Recoveries	21,077.55		2,880.00
Payment to Escrow Agent for Refunded Bonds			
Transfers Out	(50,770.10)		(2,475,095.00)
Total Other Financing Sources (Uses)	4,470,307.45		(2,472,215.00)
Net Change in Fund Balances	2,886,777.80		205,242.19
Fund Balances, July 1, 2005	14,427,465.29		11,131,568.65
Fund Balances, June 30, 2006	\$ 17,314,243.09	\$ 0.00	\$ 11,336,810.84

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

EXHIBIT - E

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$	\$	\$
	7,032,025.04	5,609,258.00
505,616.00	4,533,987.83	25,848,741.67
<u>1,133,160.30</u>	<u>13,871,511.35</u>	<u>123,733,339.11</u>
<u>1,638,776.30</u>	<u>25,437,524.22</u>	<u>252,893,111.51</u>
		113,662,345.86
		14,382,775.54
		4,421,476.09
		10,173,681.93
		4,040,106.81
		2,688,643.32
		636,533.26
		1,111,077.76
		11,413,610.57
1,307,424.99	20,197.35	9,176,253.05
		1,286,711.50
	11,457,969.11	11,457,969.11
		2,724,289.59
		10,013,876.50
		20,494,651.33
		4,267,761.55
		1,049,137.25
		2,983,645.17
13,825,338.48	526,819.37	15,608,579.09
725,255.53	16,008.64	4,326,122.98
	7,755,000.00	10,756,573.00
45,000.00	1,600,727.94	5,326,803.60
	<u>11,625.69</u>	<u>11,625.69</u>
<u>15,903,019.00</u>	<u>21,388,348.10</u>	<u>262,014,250.55</u>
<u>(14,264,242.70)</u>	<u>4,049,176.12</u>	<u>(9,121,139.04)</u>
200,000.00	647,120.10	5,347,120.10
	1,225,000.00	1,225,000.00
	119,241.24	119,241.24
1,794,000.00		1,794,000.00
		23,957.55
	(1,339,632.26)	(1,339,632.26)
	<u>(2,821,255.00)</u>	<u>(5,347,120.10)</u>
<u>1,994,000.00</u>	<u>(2,169,525.92)</u>	<u>1,822,566.53</u>
(12,270,242.70)	1,879,650.20	(7,298,572.51)
<u>35,491,781.97</u>	<u>6,128,953.11</u>	<u>67,179,769.02</u>
<u>\$ 23,221,539.27</u>	<u>\$ 8,008,603.31</u>	<u>\$ 59,881,196.51</u>

**EXHIBIT - F
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Governmental Funds \$ (7,298,572.51)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (1,465,289.59)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period. 8,962,573.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (107,417.15)

Change in Net Assets - Governmental Activities \$ 91,293.75

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

EXHIBIT - G
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2006

	Private-Purpose Trust Fund	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$	\$	\$
Investments	487,507.02	83.16	2,725,193.59
Accounts Receivable		3,339,599.65	1,285.70
Due from Other Agencies		132.47	161,136.27
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 487,507.02</u>	<u>\$ 3,339,815.28</u>	<u>\$ 2,897,020.61</u>
LIABILITIES			
Accounts Payable	\$	\$	\$
Due to Other Funds		293,300.00	71,939.01
Internal Accounts Payable			157,075.76
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities		<u>293,300.00</u>	<u>\$ 2,897,020.61</u>
NET ASSETS			
Assets Held in Trust for Pension Benefits		3,046,515.28	
Assets Held in Trust for Scholarships and Other Purposes	487,507.02		
	<u> </u>	<u> </u>	
Total Net Assets	<u>487,507.02</u>	<u>3,046,515.28</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 487,507.02</u>	<u>\$ 3,339,815.28</u>	

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

EXHIBIT - H
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2006

	<u>Private-Purpose Trust Fund</u>	<u>Pension Trust Fund</u>
ADDITIONS		
Contributions:		
Employer	\$ <u> </u>	\$ <u>437,251.34</u>
Investment Earnings:		
Net Increase in Fair Value of Investments		61,527.98
Gain on Sale of Investments		40,491.07
Interest, Dividends, and Other	<u>20,881.41</u>	<u>71,516.15</u>
Total Investment Income	<u>20,881.41</u>	<u>173,535.20</u>
DEDUCTIONS		
Benefits Paid to Participants		552,017.46
Purchased Services		<u>8,530.00</u>
Total Deductions		<u>560,547.46</u>
Change in Net Assets	20,881.41	50,239.08
Net Assets, July 1, 2005	<u>466,625.61</u>	<u>2,996,276.20</u>
Net Assets, June 30, 2006	<u>\$ <u>487,507.02</u></u>	<u>\$ <u>3,046,515.28</u></u>

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

EXHIBIT – I
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

- **Blended Component Unit.** The Alachua County School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Alachua County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Units.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Alachua County Public Schools Foundation, Inc., and 15 charter schools: Alachua Learning Center, Inc.; Caring and Sharing Learning School, Inc.; Desoto High School, Inc.; Einstein Montessori School, Inc.; Expressions Learning Arts Academy, Inc.; Florida School for Integrated Academics and Technology, Inc.; Genesis Preparatory School, Inc.; Healthy Learning Academy, Inc.; Hoggetowne Middle School, Inc.; Love to Learn Educational Center, Inc.; Martin Luther King Academy, Inc.; Micanopy Area Charter Schools, Inc.; Micanopy Middle School, Inc.; The Oasis Enrichment Academy, Inc.; and One Room School House Project, Inc.

The Foundation is a separate, not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, and was formed to provide charitable and educational aid to the School Board, to promote education, and to encourage research, learning, and dissemination of information.

The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Alachua County District School Board.

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The financial data reported was derived from the financial statements of the individual charter schools and the Alachua County Public Schools Foundation, Inc., which are available at the District's administrative office for the fiscal year ended June 30, 2006.

➤ **Basis of Presentation**

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

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

Program revenues include charges paid by the recipient of the goods or services, program or department, and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function 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 and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including: construction, remodeling and addition projects; Districtwide maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment purchases; payments for educational facilities and sites due under lease-purchase agreements (COPS); payments for renting and leasing education facilities and sites; payments of loans approved

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

pursuant to Sections 1011.14 and 1011.15, Florida Statutes; and payment of the cost of leasing relocatable educational facilities.

- Capital Projects – Other Fund – to account for the financial resources primarily generated by the issuance of certificates of participation to be used for educational capital outlay needs, including new construction, renovation and remodeling projects and computer equipment.

Additionally, the District reports the following fiduciary fund types:

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

➤ **Basis of Accounting**

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

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

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

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

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

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

➤ **Deposits and Investments**

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

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

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

➤ **Inventories**

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

➤ **Capital Assets**

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

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

Capital assets are depreciated using the composite method, except for property under capital lease which is depreciated under the straight-line method.

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms for Kids 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 for Kids 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 Alachua County Property Appraiser, and property taxes are collected by the Alachua County Tax Collector.

The School Board adopted the 2005 tax levy on September 6, 2005. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Alachua County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

3. INVESTMENTS

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

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	27 Day Average	\$ 34,512,258.97
Evergreen Institutional Treasury Money Market Fund	30 Day Average (1)	26,854,029.19
State Board of Administration Debt Service Accounts	6 Months	324,829.41
		<u>61,691,117.57</u>
Fiduciary Funds:		
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	27 Day Average	488,792.72
USB Global - RMA Money Market Portfolio	Less Than 3 Months	121,722.12
USB Global - SMA Relationship Trust Mutual Fund	3.61 Years	970,009.20
USB Global - Equities		1,749,622.01
USB Global - United States Government Securities	January 2007 - May 2030	498,246.32
Total Fiduciary Funds		<u>3,828,392.37</u>
Total Investments, Reporting Entity		<u><u>\$ 65,519,509.94</u></u>

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Interest Rate Risk

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

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District does not have a formal investment policy that limits its investment choices.
- 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.
- As of June 30, 2006, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
- The District's investment in the Evergreen Institutional Treasury Money Market Fund is rated Aaa by Moody's Investors Services. Investments in the USB Global – RMA Money Market Fund are rated AAA, and investments in USB Global – SMA Relationship Trust Mutual Fund are rated AA1, by Moody's Investors Services.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- The District's investment in equities, totaling \$1,749,622.01, is held by the investment's counterparty, not in the name of the District.
- The District's investment in United States Government Securities, totaling \$498,246.32, is held by the investment's counterparty, not in the name of the District.

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Concentration of Credit Risk

- Section 218.415(8), Florida Statutes, requires the District to diversify investments to the extent practicable to control risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.
- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.
- See Note 16 for concentrations of investments in the District's early retirement plan, reported in the Pension Trust Fund.

Foreign Currency Risk

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

4. RECEIVABLES

Due from Other Agencies in the Capital Projects – Other Fund includes \$2,389,243 due from the State for Classrooms for Kids proceeds. Due From Other Agencies in the other (nonmajor) governmental funds includes \$390,289.71 for Public Education Capital Outlay projects. These receivables are for long-term capital projects and may not be entirely collected within one year.

All receivables are considered fully collectible and therefore no allowance for uncollectible accounts has been recognized.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,940,438.16	\$ 95,536.09	\$	\$ 3,035,974.25
Construction in Progress	3,686,882.69	15,648,212.10	16,203,870.49	3,131,224.30
Total Capital Assets Not Being Depreciated	<u>6,627,320.85</u>	<u>15,743,748.19</u>	<u>16,203,870.49</u>	<u>6,167,198.55</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,734,009.82	2,077,668.32		26,811,678.14
Buildings and Fixed Equipment	278,382,226.12	14,126,202.17		292,508,428.29
Furniture, Fixtures, and Equipment	24,025,940.85	2,160,198.69	1,700,376.78	24,485,762.76
Motor Vehicles	14,746,747.21	1,371,550.10	388,578.75	15,729,718.56
Property Under Capital Lease	7,780,564.00		4,200,000.00	3,580,564.00
Audio Visual Materials and Computer Software	5,353,777.35	428,731.31	135,476.70	5,647,031.96
Total Capital Assets Being Depreciated	<u>355,023,265.35</u>	<u>20,164,350.59</u>	<u>6,424,432.23</u>	<u>368,763,183.71</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	11,732,432.72	1,338,109.93		13,070,542.65
Buildings and Fixed Equipment	147,608,848.34	12,582,876.62		160,191,724.96
Furniture, Fixtures, and Equipment	14,095,795.16	3,245,904.61	1,700,376.78	15,641,322.99
Motor Vehicles	13,532,633.52	2,183,993.26	388,578.75	15,328,048.03
Property Under Capital Lease	7,002,349.44	629,024.13	4,200,000.00	3,431,373.57
Audio Visual Materials and Computer Software	4,248,702.40	1,189,609.33	135,476.70	5,302,835.03
Total Accumulated Depreciation	<u>198,220,761.58</u>	<u>21,169,517.88</u>	<u>6,424,432.23</u>	<u>212,965,847.23</u>
Total Capital Assets Being Depreciated, Net	<u>156,802,503.77</u>	<u>(1,005,167.29)</u>		<u>155,797,336.48</u>
Governmental Activities Capital Assets, Net	<u>\$ 163,429,824.62</u>	<u>\$ 14,738,580.90</u>	<u>\$ 16,203,870.49</u>	<u>\$ 161,964,535.03</u>

The class of property under capital lease is presented in Note 6.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,786,764.24
Unallocated	<u>19,382,753.64</u>
Total Depreciation Expense - Governmental Activities	<u>\$21,169,517.88</u>

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

6. OBLIGATIONS UNDER CAPITAL LEASE

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 490,055.59	\$ 472,891.00	\$ 17,164.59
2008	<u>40,838.70</u>	<u>40,644.28</u>	<u>194.42</u>
Total Minimum Lease Payments	<u>\$ 530,894.29</u>	<u>\$ 513,535.28</u>	<u>\$ 17,359.01</u>

The imputed interest rate is 5.74 percent.

7. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2006, are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 1997	\$ 630,000	4.45	2007 (2)	\$ 19,225,000
Series 1997A	7,880,000	4.40 - 5.00	2014	13,690,000
Series 1998	1,160,000	4.60 - 4.65	2008 (2)	12,640,000
Series 2001	21,960,000	4.25 - 5.00	2021	24,200,000
Series 2001-QZAB	5,147,000	(1)	2016	5,147,000
Series 2004	20,150,000	5.00 - 5.25	2029	20,150,000
Series 2005, Refunding	22,700,000	2.50 - 5.00	2018	22,815,000
Series 2005-QZAB	<u>1,794,000</u>	(1)	2021	1,794,000
Total Certificates of Participation	<u>\$ 81,421,000</u>			

Note: (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holders of the QZAB's. The rate of return to the holders was established by the United States Government at the time of sale.

(2) The maturity amounts outstanding for the Series 1997 and Series 1998 COPS do not include debt which has been defeased.

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Series 1997

Stephen Foster Elementary School Food Service Building
Williams Elementary School Food Service Building
Eastside High School Academy of Building Construction
Loften High School Academy of Building Construction
Newberry High School Criminal Justice Center
Hawthorne High School Animal Production Center
Santa Fe High School Academy of Veterinary Technology Lab
Chiles Elementary School

Series 1997A

Kanapaha Middle School

Series 1998

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

Series 2001

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

Series 2004

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

Series 2005 Refunding

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,151,282.50	\$ 2,660,000.00	\$ 3,491,282.50
2008	6,152,357.50	2,775,000.00	3,377,357.50
2009	6,152,090.00	2,885,000.00	3,267,090.00
2010	6,155,150.00	2,995,000.00	3,160,150.00
2011	6,151,525.00	3,105,000.00	3,046,525.00
2012-2016	35,909,726.00	22,737,000.00	13,172,726.00
2017-2021	32,715,075.00	24,114,000.00	8,601,075.00
2022-2026	15,710,980.00	11,630,000.00	4,080,980.00
2027-2029	9,425,600.00	8,520,000.00	905,600.00
Total Minimum Lease Payments	<u>\$ 124,523,786.00</u>	<u>\$ 81,421,000.00</u>	<u>\$ 43,102,786.00</u>

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

8. BONDS PAYABLE

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A	\$ 265,000	4.5	2008
Series 1999A	400,000	4.00 - 4.75	2019
Series 2005A, Refunding	5,415,000	4.0 - 5.0	2016
Series 2005B, Refunding	1,220,000	5.0	2018
District General Obligation Bonds:			
Series 2001, Refunding	12,795,000	4.25 - 5.00	2010
Series 2003, Refunding	<u>26,040,000</u>	2.50 - 5.00	2012
Total Bonds Payable	<u>\$ 46,135,000</u>		

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

➤ **State School Bonds**

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

➤ **District General Obligation Bonds**

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2007	\$ 881,737.50	\$ 520,000.00	\$ 361,737.50
2008	911,687.50	575,000.00	336,687.50
2009	893,862.50	585,000.00	308,862.50
2010	904,875.00	625,000.00	279,875.00
2011	908,812.50	660,000.00	248,812.50
2012-2016	4,604,050.00	3,890,000.00	714,050.00
2017-2019	<u>480,725.00</u>	<u>445,000.00</u>	<u>35,725.00</u>
Total State School Bonds	<u>9,585,750.00</u>	<u>7,300,000.00</u>	<u>2,285,750.00</u>
General Obligation Bonds:			
2007	8,402,552.50	6,955,000.00	1,447,552.50
2008	8,408,240.00	7,205,000.00	1,203,240.00
2009	8,415,265.00	7,540,000.00	875,265.00
2010	8,421,723.75	7,830,000.00	591,723.75
2011	4,923,755.00	4,570,000.00	353,755.00
2012	<u>4,919,665.00</u>	<u>4,735,000.00</u>	<u>184,665.00</u>
Total General Obligation Bonds	<u>43,491,201.25</u>	<u>38,835,000.00</u>	<u>4,656,201.25</u>
Total	<u><u>\$53,076,951.25</u></u>	<u><u>\$46,135,000.00</u></u>	<u><u>\$6,941,951.25</u></u>

9. DEFEASED DEBT

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

The Series 2005B bonds were issued to reduce the total debt service payments over the next 13 years by approximately \$94,712 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$72,726.

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 960,108.28	\$	\$ 446,573.00	\$ 513,535.28	\$ 472,891.00
Bonds Payable	53,890,000.00	1,225,000.00	8,980,000.00	46,135,000.00	7,475,000.00
Certificates of Participation Payable	82,182,000.00	1,794,000.00	2,555,000.00	81,421,000.00	2,660,000.00
Compensated Absences Payable	<u>20,633,272.86</u>	<u>9,692,142.92</u>	<u>9,584,725.77</u>	<u>20,740,690.01</u>	<u>8,572,498.06</u>
Total Governmental Activities	<u>\$ 157,665,381.14</u>	<u>\$ 12,711,142.92</u>	<u>\$ 21,566,298.77</u>	<u>\$ 148,810,225.29</u>	<u>\$ 19,180,389.06</u>

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

11. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$501,933.35 at June 30, 2006.

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 640,227.35	\$ 16,099.36
Special Revenue:		
Other	41.94	65,500.94
Capital Projects:		
Local Capital Improvement	1,045,900.00	253,177.85
Other		760,590.87
Nonmajor Governmental Funds	16,038.67	156,463.18
Fiduciary Funds		450,375.76
Total	<u>\$ 1,702,207.96</u>	<u>\$ 1,702,207.96</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 4,500,000.00	\$ 50,770.10
Capital Projects:		
Local Capital Improvement		2,475,095.00
Other	200,000.00	
Nonmajor Governmental Funds	<u>647,120.10</u>	<u>2,821,255.00</u>
Total	<u>\$ 5,347,120.10</u>	<u>\$ 5,347,120.10</u>

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

13. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2005-06 fiscal year:

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 87,390,906.00
Categorical Educational Programs:	
Class Size Reduction Operating Funds	15,409,039.00
Transportation	6,372,534.00
Instructional Materials	2,531,602.00
Discretionary Lottery Funds	1,354,893.00
Other	3,262,203.75
Gross Receipts Tax (Public Education Capital Outlay)	3,740,568.00
Workforce Development Program	1,419,299.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,074,454.12
Food Service Supplement	217,565.00
Mobile Home License Tax	92,639.09
Miscellaneous	<u>867,636.15</u>
 Total	 <u><u>\$123,733,339.11</u></u>

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

14. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.355	\$ 51,810,946
Basic Discretionary Local Effort	0.510	4,934,375
Supplemental Discretionary Local Effort	0.250	2,418,811
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
District General Obligation Bonds:		
Series 2001, Refunding	0.540	5,224,634
Series 2003, Refunding	0.379	3,666,924
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>19,350,486</u>
Total	<u><u>9.034</u></u>	<u><u>\$ 87,406,176</u></u>

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

15. STATE RETIREMENT PROGRAM

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

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

A Deferred Retirement Option Program (DRO) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DRO 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 DRO participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$9,158,752.96, \$9,595,862.79, and \$10,448,410.51, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 289 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$723,842.96.

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

16. EARLY RETIREMENT PROGRAM

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

As of June 30, 2006, employee membership data related to the Plan was as follows:

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Retirees and Beneficiaries Currently Receiving Benefits	140
Active Plan Participants:	
Vested	1,418
Nonvested	2,948
Total Active Plan Participants	4,366
Total	4,506

A summary of eligibility and benefits follows:

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

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

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

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

Contributions to the Plan in 2006 totaled \$437,251.34, all of which were paid by the Board, and were made in accordance with actuarially determined contribution requirements determined through an actuarial update performed at July 1, 2005.

The computation of the annual required contributions for 2006 was based on the same (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method, and (d) other significant factors as used to determine annual required contributions in the previous year.

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

Concentrations

The Plan's investments at June 30, 2006, consist of the following:

	Balance June 30, 2006	Percent of Plan Net Assets
USB Global - RMA Money Market Portfolio	\$ 121,722.12	3.64
USB Global - SMA Relationship Trust Mutual Fund	970,009.20	29.05
USB Global Equities	1,749,622.01	52.39
USB Gobal - United States Government Securities	498,246.32	14.92
Total	<u>\$ 3,339,599.65</u>	<u>100.00</u>

Trend Information

An analysis of funding progress is presented below:

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

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

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

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

17. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
J. J. Finley Elementary School Air-Conditioning Buildings 1, 3, and 4:			
Engineer	\$ 98,286	\$ 79,095	\$ 19,191
Contractor	1,521,982	196,896	1,325,086
Rawlings Elementary School New Food Service/Multi-Purpose Building:			
Architect	166,725	144,742	21,983
Contractor	3,101,000	136,807	2,964,193
Wiles Elementary School New Classroom Building:			
Construction Manager	103,989	103,989	
Contractor	1,823,451	1,543,326	280,125
Kanapaha Middle School Physically Impaired Building:			
Architect	128,335	114,255	14,080
Contractor	1,011,061	178,009	833,052
Westwood Middle School Renovation Building 1:			
Architect	112,779	88,591	24,188
Contractor	1,298,000	136,347	1,161,653
Horizon Center New Classrooms and Support Facility:			
Architect/Construction Management	110,169	110,169	
Contractor	2,447,006	821,029	1,625,977
Hurricane Shelters at Various Schools:			
Engineer	102,786	70,886	31,900
Contractor	447,838	113,138	334,700
Total	\$ 12,473,407	\$ 3,837,279	\$ 8,636,128

18. RISK MANAGEMENT PROGRAMS

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

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

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

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

EXHIBIT - I (Continued)
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

19. LITIGATION

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

EXHIBIT - J
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 112,000.00	\$ 112,000.00	\$ 149,297.17	\$ 37,297.17
Federal Through State	900,000.00	900,000.00	807,273.79	(92,726.21)
State	117,617,975.30	119,068,186.31	118,693,735.28	(374,451.03)
Local	60,892,425.00	62,473,106.24	63,448,787.79	975,681.55
Total Revenues	179,522,400.30	182,553,292.55	183,099,094.03	545,801.48
Expenditures				
Current - Education:				
Instruction	102,464,875.72	106,666,630.43	101,983,634.61	4,682,995.82
Pupil Personnel Services	10,687,307.74	11,792,760.33	11,602,366.00	190,394.33
Instructional Media Services	4,499,137.59	4,645,075.67	4,413,442.95	231,632.72
Instruction and Curriculum Development Services	5,258,654.95	5,669,728.22	5,559,331.41	110,396.81
Instructional Staff Training Services	961,966.12	2,453,001.99	1,624,213.87	828,788.12
Instruction Related Technology	2,287,280.00	2,724,582.77	2,606,374.30	118,208.47
Board of Education	770,150.15	761,805.31	636,533.26	125,272.05
General Administration	719,457.19	740,642.27	740,703.07	(60.80)
School Administration	10,877,841.14	11,433,100.20	11,349,529.46	83,570.74
Facilities Acquisition and Construction	777,164.75	874,677.16	586,997.50	287,679.66
Fiscal Services	1,235,401.29	1,415,912.74	1,242,396.83	173,515.91
Central Services	2,643,079.03	2,823,395.94	2,621,820.42	201,575.52
Pupil Transportation Services	8,976,966.20	9,917,093.53	9,778,453.39	138,640.14
Operation of Plant	20,507,861.01	21,295,666.04	20,365,613.10	930,052.94
Maintenance of Plant	4,866,957.52	4,916,811.16	4,267,761.55	649,049.61
Administrative Technology Services	1,281,445.00	1,189,535.53	1,049,137.25	140,398.28
Community Services	3,231,717.30	3,461,509.82	2,983,645.17	477,864.65
Fixed Capital Outlay:				
Facilities Acquisition and Construction		56,864.91	56,864.91	
Other Capital Outlay		1,213,804.63	1,213,804.63	
Total Expenditures	182,047,262.70	194,052,598.65	184,682,623.68	9,369,974.97
Excess (Deficiency) of Revenues Over Expenditures	(2,524,862.40)	(11,499,306.10)	(1,583,529.65)	9,915,776.45
Other Financing Sources (Uses)				
Transfers In	4,900,000.00	4,900,000.00	4,500,000.00	(400,000.00)
Insurance Loss Recoveries			21,077.55	21,077.55
Transfers Out		(50,770.10)	(50,770.10)	
Total Other Financing Sources (Uses)	4,900,000.00	4,849,229.90	4,470,307.45	(378,922.45)
Net Change in Fund Balances	2,375,137.60	(6,650,076.20)	2,886,777.80	9,536,854.00
Fund Balances, July 1, 2005	14,458,534.41	14,458,534.41	14,427,465.29	(31,069.12)
Fund Balances, June 30, 2006	\$ 16,833,672.01	\$ 7,808,458.21	\$ 17,314,243.09	\$ 9,505,784.88

EXHIBIT - J

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 13,200,827.00	\$ 5,680,381.63 27,715,002.49	\$ 5,459,960.83 18,009,442.84	\$ (220,420.80) (9,705,559.65)
<u>13,200,827.00</u>	<u>33,395,384.12</u>	<u>23,469,403.67</u>	<u>(9,925,980.45)</u>
7,475,502.00	14,378,418.98	11,678,711.25	2,699,707.73
1,275,384.00	3,144,720.30	2,780,409.54	364,310.76
	8,033.14	8,033.14	
2,530,421.00	6,462,156.45	4,614,350.52	1,847,805.93
1,151,210.00	7,087,155.65	2,415,892.94	4,671,262.71
	109,316.92	82,269.02	27,047.90
303,539.00	519,990.26	370,374.69	149,615.57
	70,942.65	64,081.11	6,861.54
	81,109.61	10,987.92	70,121.69
	44,314.67	44,314.67	
	153,517.47	102,469.17	51,048.30
463,771.00	243,836.80	235,423.11	8,413.69
1,000.00	158,822.86	129,038.23	29,784.63
	<u>933,048.36</u>	<u>933,048.36</u>	
<u>13,200,827.00</u>	<u>33,395,384.12</u>	<u>23,469,403.67</u>	<u>9,925,980.45</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

EXHIBIT – K
ALACHUA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2006

1. EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

For the fiscal year ended June 30, 2006, expenditures exceeded appropriations for the following individual funds:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
General Administration	\$ 740,642.27	\$ 740,703.07	\$ (60.80)

FEDERAL REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Alachua County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

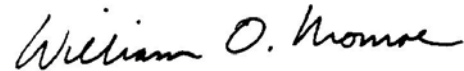
Compliance and Other Matters

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, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report and certain instances of noncompliance related to Federal programs which are discussed in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** section of this audit report.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA
November 20, 2006



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2006. The District's major Federal programs are identified in the ***SUMMARY OF AUDIT RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006. However, as discussed in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB *Circular A-133*.

Internal Control Over Compliance

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

We noted certain matters, described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA
November 20, 2006

**ALACHUA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550(2)	None	\$ 740,129.66	\$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	1,535,912.45	
National School Lunch Program	10.555	300	4,443,485.56	
Summer Food Service Program for Children	10.559	323	104,192.83	
Total Child Nutrition Cluster			6,083,590.84	
Child and Adult Care Food Program	10.558	302	228,559.39	
Total United States Department of Agriculture			7,052,279.89	
National Science Foundation:				
Indirect:				
University of Florida:				
Education and Human Resources	47.076	None	48,193.71	
United States Department of Education:				
Direct:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	40,693.59	
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	262, 263	6,326,287.94	
Special Education - Preschool Grants	84.173	267	134,518.23	
Total Special Education Cluster			6,460,806.17	
Title I Grants to Local Educational Agencies	84.010	212	5,360,571.08	
Migrant Education - State Grant Program	84.011	217	631,639.62	
Vocational Education - Basic Grants to States	84.048	151	313,993.29	
Safe and Drug-Free Schools and Communities - National Programs	84.184	107	25,787.38	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	151,539.50	
Education for Homeless Children and Youth	84.196	127	124,128.51	
Even Start - State Educational Agencies	84.213	219	265,342.38	
Charter Schools	84.282	298	554,085.15	554,085.15
Twenty-First Century Community Learning Centers	84.287	244	727,572.17	
State Grants for Innovative Programs	84.298	113	136,363.46	
Education Technology State Grants	84.318	121, 122	400,352.00	
Comprehensive School Reform Demonstration	84.332	128	69,595.84	
Reading First State Grants	84.357	211	483,152.33	
English Language Acquisition Grants	84.365	102	232,294.39	
Mathematics and Science Partnerships	84.366	235	540,697.33	
Improving Teacher Quality State Grants	84.367	224	1,190,120.46	
University of Florida:				
Preparing Tomorrow's Teachers to Use Technology	84.342	None	14,082.80	
Total Indirect			17,682,123.86	554,085.15
Total United States Department of Education			17,722,817.45	554,085.15

**ALACHUA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600(3)	N/A	\$ 5,283,119.43	\$
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	91,039.23	
State Commissions:				
Americorps	94.006	None	136,147.81	
Total Corporation for National and Community Service			<u>227,187.04</u>	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	124,494.75	
Florida Department of Law Enforcement:				
Homeland Security Grant Program	97.067	None	63,591.29	
Total United States Department of Homeland Security			<u>188,086.04</u>	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	94,086.76	
Air Force Junior Reserve Officers Training Corps	None	N/A	55,210.41	
Total United States Department of Defense			<u>149,297.17</u>	
Total Expenditures of Federal Awards			<u>\$ 30,670,980.73</u>	<u>\$ 554,085.15</u>

- Notes:
- (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2005-06 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
 - (2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2005-06 fiscal year. Commodities are valued at fair value as determined at the time of donation. Expenditures include cash received in lieu of donated food totaling \$65,760.12.
 - (3) Head Start. Expenditures include \$146,782.05 for grant number/program year 010-2245A-5CT01/2004-05 and \$5,136,337.38 for grant number/program year 010-2246A-6CT01/2005-06.

**ALACHUA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Alachua County District School Board for the fiscal year ended June 30, 2006:

- An unqualified opinion was issued on the financial statements.
- No reportable conditions involving the internal control and its operation were disclosed.
- No noncompliance was disclosed which is material to the financial statements.
- Certain matters were considered to be reportable conditions in internal control over major Federal programs.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Improving Teacher Quality State Grants (CFDA No. 84.367); and Head Start (CFDA No. 93.600).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$920,129.
- The low risk entity threshold was applied.

**ALACHUA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Improving Teacher Quality State Grants (CFDA No. 84.367)

Finding Type: Noncompliance and Reportable Condition

Questioned Costs: N/A

Cash Management. The District received advances of Federal cash to fund expenditures of the Federal grants received through the Florida Department of Education (FDOE). Title 34, Section 80.20(b)(7), Code of Federal Regulations, establishes prerequisites for cash advances that include a requirement that the District adopt procedures which minimize the time elapsing between the draw down of cash from the State and its disbursement by the District. Title 34, Section 80.21, Code of Federal Regulations, provides that failure to comply with such procedures could result in the termination of the advance cash payments to the District. The District is required to remit interest earned on advances, at least quarterly, to the Federal grantor agency.

Our review of Federal cash advances received through FDOE to fund various Federal programs included a comparison of the monthly beginning cash balance plus draws (available cash) to disbursements for that month. The review indicated that during the period January through June 2006, the District maintained cash balances in excess of immediate cash needs. For example, the District's records showed a cash balance at the beginning of April 2006 of \$2,210,674 and, although expenditures during the month totaled only \$1,224,654 for grants funded through the FDOE cash advance process, the District drew \$1,526,000 more cash from the FDOE during the month, leaving a cash balance at the end of April of \$2,512,020. Subsequent to our inquiries, in October 2006, the District remitted to FDOE \$20,030.74 for interest earned on the excess cash balances for the period January through June 2006.

Recommendation: The District should revise its procedures as necessary to anticipate disbursements so that Federal cash balances are kept at appropriate levels. To accomplish this, the District's forecasting procedures should include a comparison of actual cash balances and disbursements with the draw requests on at least a monthly basis and prompt communication with FDOE amending cash advance requests as needed to provide sufficient resources while avoiding the accumulation of Federal cash in excess of immediate needs.

District Contact Person: Donna Omer, Director Grants Procurement

Federal Awards Finding No. 2:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Improving Teacher Quality State Grants (CFDA No. 84.367)****Finding Type: Noncompliance and Reportable Condition****Questioned Costs: N/A**

Allowable Costs/Cost Principles. Title 2, Part 225, Code of Federal Regulations, requires that in instances where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and will be signed by the employee or supervisor having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports. These reports must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which the employee is compensated, and must be signed by the employee. Alternatively, other substitute reporting systems may be used if approved by the cognizant Federal agency. The United States Department of Education has approved a substitute reporting system for grants received by the District through the Florida Department of Education. The substitute system provides that where an employee works solely on a single Federal award or cost objective, at least semi-annual certifications must be prepared by the employee and signed by the employee or employee's supervisor with first hand knowledge of the employee's work. The substitute system also provides that, where employees are expected to work on multiple activities or cost objectives, estimated percentages of employees' salaries will be assigned to accounts and, if necessary, adjusted based on actual personnel activity reports prepared for the months of September, January, and May. These reports must be signed by the employee and initialed by the employee's immediate supervisor.

During the 2005-06 fiscal year, the District paid salaries and benefits totaling \$993,492 to employees working on the Improving Teacher Quality State Grants program. However, personnel activity reports were not prepared to document the allocation of salaries and benefits costs to the program. Subsequent to our inquiries, in October 2006, the District prepared and provided certifications for the employees selected for testing. Our review disclosed that the District maintained adequate documentation at the schools (Daily Sign-in Rosters) to confirm the work time for the employees paid from this program.

Recommendation: District should implement procedures for projects funded through the FDOE to ensure that employees who work solely on a single cost objective complete semi-annual certifications, and that employees who work on multiple cost activities complete personnel activity reports.

District Contact Person: Donna Omer, Director Grants Procurement

Federal Awards Finding No. 3:**Federal Agency: United States Department of Health and Human Services****Program Number: 010-2245A-5CT01, program year 2004-05; 010-2246A-6CT01 program year 2005-06****Program: Head Start (CFDA No. 93.600)****Finding Type: Noncompliance and Reportable Condition****Questioned Costs: N/A**

Allowable Costs/Cost Principles. Title 2, Part 225, Code of Federal Regulations, requires that in instances where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and will be signed by the employee or supervisor having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports. These reports must be prepared at least monthly, reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which the employee is compensated, and must be signed by the employee.

During the 2005-06 fiscal year, the District paid salaries and benefits totaling \$4,839,810 to employees working on the Head Start program. However, for employees who worked solely on this program, semi-annual employee certifications were not prepared. In addition, for employees who worked on this and other programs, monthly personnel activity reports signed by employees were not prepared to document the allocation of costs among programs. While the District had not prepared personnel activity reports for the Head Start and Early Head Start programs, we were able to determine from records maintained by the District that the employees selected for testing had expended their time consistent with the applicable allocation of costs among the programs. We found all Early Head Start program activities were performed at the Progress Center only and that all employees at the Center worked 100 percent of their time with the Early Head Start program. The District maintained time cards for each of these employees. Also, Head Start employees with allocated time were allocated either 90 percent to the Head Start program and 10 percent to the school readiness program or 80 percent to the Head Start program and 20 percent to the school readiness program. The allocations were based on the percentage of Head Start students in the classes. Also, each of the Head Start program schools and sites maintained monthly time sheets that were maintained by the office staff and initialed at the end of the month by the employee. Effective in the 2006-07 fiscal year, the District has implemented procedures requiring employees to complete personnel activity reports.

Recommendation: **The District should continue its efforts to implement procedures to ensure, for projects funded other than through the Florida Department of Education, that employees who work solely on a single cost objective complete semi-annual certifications, and that employees who work on multiple cost activities complete monthly personnel activity reports.**

District Contact Person: Ann Crowell, Director for Head Start and Preschool Education

*ALACHUA COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Ernst & Young LLP		No prior Federal audit findings.		

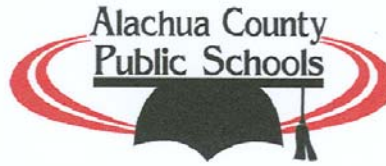
MANAGEMENT RESPONSE

BOARD MEMBERS

Virginia S. Childs
F. Wesley Eubank
Tina Pinkoson
Eileen F. Roy
Janie S. Williams

SUPERINTENDENT OF SCHOOLS

W. Daniel Boyd, Jr., Ed.D.



Kirby-Smith Administration Center
620 East University Avenue
Gainesville, Florida 32601-5498
www.sbac.edu
(352) 955-7300
Fax (352) 955-6700
Suncom 625-7300
Suncom Fax 625-6700

December 13, 2006

Honorable William O. Monroe, Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Re: Response to Preliminary and Tentative Audit Findings

Dear Mr. Monroe:

Following is our response to the preliminary and tentative audit findings and recommendations for the fiscal year ending June 30, 2006:

Finding No. 1: Board Minutes

Effective May 2006, a new procedure was implemented that will ensure minutes of all informal Board meetings and workshops will be prepared in a timely manner and presented to the Board for approval at the following regular Board meeting or an intervening special meeting.

Finding No. 2: Personnel Administration

The District has assigned an employee the responsibility for verifying the accuracy of data entered into employee records.

Finding No. 3: Background Screening

The fingerprinting schedule for existing employees has been accelerated and to date, employees in all departments, center schools, and 29 schools have been fingerprinted. Employees at the 13 remaining schools will be fingerprinted by April 1, 2007. In the summer of 2007, we plan to fingerprint current substitute employees. Employees who may have been absent during the regularly scheduled on-site fingerprinting will be processed during the fall of 2007. This will complete the fingerprinting process well ahead of the June 30, 2009, deadline.

Finding No. 4: Employee Exit Interviews

An Employee Exit Checklist Form has been enhanced to ensure that required exit forms are completed.

Finding No. 5: Day Labor Project Inspections

Beginning April 2006, we have incorporated procedures to document that day labor projects are designed and built in compliance with the Florida Building Code (FBC). This includes Project Review Comments, Letters of Code Compliance, and Certificates of Occupancy/Completion.

MANAGEMENT RESPONSE (CONTINUED)

Finding No. 6: Annual Facility Safety Inspections

The District is reviewing its maintenance, operations, and planning procedures to ensure that facility fire safety, casualty, and sanitation needs are effectively addressed. We prioritize the items listed in the report and organize our efforts to complete critical hazards first, regardless of age. Any serious, life threatening safety hazards will be addressed immediately. We also are increasing our efforts to reduce hazardous operational conditions by providing written guidelines and periodic training that includes the proper storing of materials, reporting deficiencies, and other operational safety procedures to site administrators and custodial staff.

Finding No. 7: Maintenance of Tangible Personal Property

As of this date, the tangible property database includes 1,700 items without a physical location. This list has been forwarded to those schools and departments having custody of this property with instructions to provide the current location information needed to complete each property record.

The District did not anticipate the failure of the system to change the property status from AC (active) to DI (disposed) when the user creates a disposal record so it was not in the test notes for the new upgrade. We have added it to the testing notes for future upgrades.

A separate Tangible Property Movement form will be developed for surplus property that is cannibalized, scrapped, or destroyed, which will include a signature block for the employee witnessing/responsible for the disposition. The District's tangible property procedures will be amended to reflect the use of this form for this purpose.

Finding No. 8: Tangible Personal Property Inventories

The appropriate department will be notified of any property custodian changes. The District will oversee the physical inventory process of the applicable school to ensure that it is completed.

Finding No. 9: Federal Privacy Regulations

The District will formally identify the records that apply to HIPAA regulations and develop procedures to ensure compliance. The Board is currently revising its policy manual, and will include a policy to ensure compliance with HIPAA regulations.

Finding No. 10: Charter School Monitoring

The District has developed a packet of information to be provided to Charter Schools to assist them in obtaining the required minimum limit for each type of insurance coverage. The District has notified the Charter schools of the requirement to certify insurance coverage 30 days prior to policy expiration.

Finding No. 11: Information Technology - Steering Committee

A District Information Technology Committee was formed in September 2006 and meets monthly. The first meeting was October 15. The purpose of this steering committee is to oversee Information Technology (IT) functions including review of long-range IT plans and deciding major systems acquisitions and modifications. The IT steering committee will monitor performance of the IT department and make decisions regarding organizational and personnel changes. Steering committee membership will include representatives from management, both inside and outside the IT function, including the users of the various IT applications.

Finding No. 12: Information Technology – Security Administration

The District has confirmed to Information Resources that all employees with security administration access to the District's information technology resources have had a proper background check.

MANAGEMENT RESPONSE (CONTINUED)

Finding No. 13: Grants Administration

As of this date, all current grants have been officially approved by the appropriate agency. We will continue to reinforce our current procedures to ensure proper grant award letters are obtained and timely follow up on any outstanding issues.

Federal Awards Finding No. 1: Cash Management

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

Federal Awards Finding No. 2: Allowable Cost/Cost Principles

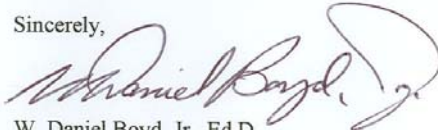
The District has implemented procedures for projects funded through the FDOE to ensure employees who work solely on single cost objective or their direct supervisors to complete and sign semi-annual certifications. Employees who work on multiple cost activities shall follow the FDOE guidance for the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

Federal Awards Finding No.3 Allowable Cost/Cost Principles

The District has implement procedures to require employees who work solely on single cost objective or their direct supervisors to complete and sign semi-annual certifications. Employees who work on multiple cost activities must complete monthly personnel activity reports.

We appreciate the opportunity to respond to these findings. After reviewing our response, please advise me if you need further clarification or action on our part.

Sincerely,



W. Daniel Boyd, Jr., Ed.D.
Superintendent