AUDITOR GENERAL

DAVID W. MARTIN, CPA

MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2007

Miami-Dade County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	District No.
Dr. Robert B. Ingram	*1*
Dr. Solomon C. Stinson	*2*
Dr. Martin Karp Vice-Chair from 11-21-06	*3*
Perla Tabares Hantman Vice-Chair to 11-20-06	*4*
Renier Diaz de la Portilla Member from 11-21-06(1)	*5*
Agustin J. Barrera, Chair	*6*
Ana Rivas Logan	*7*
Dr. Marta Perez	*8*
Evelyn Langlieb Greer	*9*

Dr. Rudolph F. Crew, Superintendent

(1) District 5 position remained vacant until filled.

AUDITOR GENERAL

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MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Miami-Dade County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2007, 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.

Finding No. 1: Monitoring of the Purchased Food Cost per Meal

There was a broad range in the purchased food cost per meal among schools within each educational level which may be indicative of unauthorized or inefficient usage of food supplies.

Finding No. 2: Purchased Food Inventory Turnover Rates and Related Reconciliations

A wide range of purchased food inventory turnover rates was noted within each educational level suggesting that the efficiency of the inventory controls at the food preparation locations is not consistent throughout the District. Enhancements were also needed in the District's inventory reconciliation process.

Finding No. 3: Food Production and Menu Record

Our review of Production and Menu Record forms from ten school cafeterias disclosed instances in which the Department's procedures were not followed.

Finding No. 4: Overtime Payments

During the 2006-07 fiscal year, overtime expenditures in the District's General Fund totaled approximately $27.8 million and 789 employees were paid $10,000 or more for overtime hours worked. District records did not evidence that management justified and balanced the negative effect of extensive overtime against the immediate needs of the District's operations.

Finding No. 5: Overtime Payments - Monitoring Procedures

The District did not evaluate the reasonableness of staffing and personnel utilization based on reports of overtime worked and paid in the individual departments. Office of Management and Compliance Audits personnel performed limited reviews of overtime reports which consisted primarily of inquiries of management regarding the reasonableness of unusual overtime activity; however, there was no documentation to evidence these reviews or the resolution of questionable overtime payments.

Finding No. 6: Fingerprinting Requirements

The District should improve its procedures for timely obtaining the required fingerprinting and background checks of noninstructional staff that have direct contact with students.

Finding No. 7: Annual Facility Inspections

We noted 323 deficiencies or facility maintenance needs for four school facilities that remained unresolved for two or more years after facility inspections were performed.

Finding No. 8: Architect Errors and Omissions

Architectural and engineering contracts entered into by the District in the 2006 calendar year contained provisions precluding the District from recovering, from the architect/engineer and their liability insurance carriers, specified portions of the additional construction costs resulting from architectural or engineering errors and omissions.

Finding No. 9: Project Closeout

Improvements were needed in the District's contract and project closeout procedures.

Finding No. 10: Facilities Work Program

Information reported in the District's facilities work program was inconsistent with the District's annual capital outlay budget and did not always include the required information.

Finding No. 11: Guaranteed Maximum Price (GMP) Contract Allowances

The terms and conditions for the use and disposition of GMP contract allowances were not provided for in the District's Construction Manager At-Risk contracts. Written procedures were not in place to provide for the proper management of GMP contract allowances.

Finding No. 12: Ad Valorem Taxation

District records disclosed instances in which capital outlay millage proceeds, totaling $18,631,575, were not spent for authorized purposes.

Finding No. 13: Workforce Development Education Program – Match of Student Records to Death Files

We noted 13 students who had registered for adult or vocational education courses using social security numbers belonging to individuals shown as deceased in the death records of the Bureau of Vital Statistics.

Finding No. 14: Monitoring Fuel Efficiency of Vehicles

Instances were noted in which fuel consumption reports for May 2007 and June 2007 contained errors or exceptions related to vehicle odometer readings and calculated miles per gallon. There was little or no documentation to evidence that these errors or exceptions noted on the fuel reports were ever resolved or corrected by management.

Finding No. 15: Cellular Telephones

Improvements were needed in the District's monitoring of cellular telephone (cell phone) usage. As such, the District was required to, but did not, report to the Internal Revenue Service the value of cell phone services as income for employees.

Finding No. 16: Monitoring of Charter Schools

Our review of insurance certificates for 15 charter schools disclosed several instances in which the insurance coverage maintained by the charter schools did not comply with the requirements of the charter school agreements.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Adult Education – State Grant Program, Title I, Vocational Education – Basic Grants to States, Magnet Schools Assistance, Fund for the Improvement of Education, and Refugee and Entrant Assistance - Discretionary Grants 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 internal control and compliance findings that are summarized below.

Federal Awards Finding No. 1: Allowable Costs/Cost Principles - Vendor Payments

The District did not maintain adequate documentation to support payments, totaling $175,855, from Federal Adult Education program proceeds.

Federal Awards Finding No. 2: Procurement – Contract Administration

Improvements were needed in the District's contract administration procedures to include certain required provisions in purchase order contracts funded with Federal moneys.

Federal Awards Finding No. 3: Activities Allowed or Unallowed

The District paid $106,813.90 to an employee as a Federal program project director; however, District records did not evidence that the required United States Department of Education approval was obtained for the employee to perform this function.

Federal Awards Finding No. 4: Matching, Level of Effort, Earmarking

Enhancements could be made in District procedures to ensure that certain grant performance requirements are met.

Federal Awards Finding No. 5: Program Administration

Inventory recordkeeping deficiencies and lack of monitoring procedures over meal costs were noted which impact the administration of the Federally-funded food service program.

Audit Objectives and Scope

Our audit objectives were to determine whether the Miami-Dade 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, 2007. 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 coordinated by Tamara T. Brooks, CPA, and Marilyn E. Tolley, CPA, and supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@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 http://www.myflorida.com/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: Monitoring of the Purchased Food Cost per Meal

The District had 259 locations that prepared meals for 389 serving sites during the 2006-07 school year. The District's expenditures for purchased food during the 2006-07 fiscal year totaled approximately $44.6 million. These expenditures for purchased foods include direct purchases of food items for meal preparation, but do not include the cost of commodities obtained from the Federally-funded nutrition programs or the cost of additional processing required before use of the commodities for meal preparation.

We reviewed the purchased food cost per meal for lunch for all District schools in May 2007 to determine the consistency of purchased food cost per meal on a Districtwide basis. A "Management Statistical Report" is prepared monthly from the District's food service accounting system for each food preparation location, showing the current cost per meal and year-to-date cost per meal for purchased food, food processing, supplies, labor, and operating expenses for both breakfast and lunch meals. Our review disclosed that the purchased food costs for a lunch meal, for each educational level, were as follows:

2006-07 School Year	Purchased Food Cost per Meal	
Educational Level	Range	Average
Elementary	$.48 - $1.51	$0.71
Middle (1)	$.51 - $1.27	$0.73
Senior (1)	$.72 - $1.45	$1.07

Note:

(1) Excludes Country Club Middle School and American Senior School because appropriate data was not available.

Since the school lunch menu items offered Districtwide were fairly standard and the suppliers were generally the same for all food preparation locations, the purchased food cost per meal at each educational level should be reasonably consistent. District records did not evidence that a Districtwide review of the significant differences was performed by Department of Food and Nutrition personnel to determine and, if necessary, identify the causes of the differences in purchased food cost per meal among locations at the same educational level. District personnel indicated that each school's food service manager is responsible for reviewing the Management

Statistical Reports for their location. These differences in purchased food cost per meal among locations at the same educational level may, therefore, be indicative of unauthorized or inefficient usage of food supplies.

A similar finding was noted in our report No. 2006-103, dated January 2006.

Recommendation: The Department of Food and Nutrition should strengthen its procedures to monitor the purchased food cost per meal among the District's schools by establishing cost parameters based on industry standards and analyzing significant variances between actual purchased food cost per meal and these parameters. The Department should also document, of record, the causes of these variances and take appropriate action, as necessary, to promote the efficient use of food supplies.

Auditor's Clarification:

The District's response to Finding No. 1 states that the District understands and monitors costs and that there are many variables for purchased food cost per meal from school to school. In addition, the response states that significant variances between actual purchased food cost per meal and the parameters are documented and appropriate action is taken as necessary. While we recognize that there may be justifiable reasons for cost variances, the point of our finding is that, at the time of our review, District records did not evidence that a Districtwide review of the significant differences was performed by Department of Food and Nutrition personnel to determine and, if necessary, identify the causes of the differences in purchased food cost per meal among the different locations at the same educational level.

Finding No. 2: Purchased Food Inventory Turnover Rates and Related Reconciliations

Our review of food inventories included an analysis of the purchased food inventory turnover rates at the District's 259 food preparation locations during the 2006-07 fiscal year. The inventory turnover rate measures the number of times an entity has turned over inventory during a given time period and it indicates the efficiency of management controls to minimize the amount of resources invested in the inventory needed to operate. When a low amount of inventory is maintained, the inventory turnover rate is high. The results of our analysis were as follows:

2006-07 Fiscal Year	Purchased Food Inventory Turnover Rates		
Educational Level	Highest	Lowest	Average
Elementary	108	13	35
Middle	72	13	32
Senior	74	11	38

District records did not evidence that a Districtwide review of the inventory turnover rates was performed by Department of Food and Nutrition personnel to determine, and if necessary correct, the causes of the wide range of inventory turnover rates. Establishing inventory turnover rate averages for each educational level, analyzing significant variances from the average, and documenting, of record, the causes of rates that significantly differ from the average, would enhance the efficiency of inventory controls. A similar finding was noted in our report No. 2006-103, dated January 2006.

The District's "Management Statistical Report" shows inventory turnover rates for purchased food based only on the given month's data. Food service personnel conduct physical counts at the end of each month for each food preparation location. These physical inventory counts were not reconciled to an ending inventory balance calculated based on the prior month's ending inventory, adjusted for food purchases and issues during the month. In addition, the District's Department of Food and Nutrition procedures did not provide for the reconciliation of food purchases with food usage. Monthly reconciliations of the physical inventory counts to the calculated balances and of food purchases to food usage would increase management's ability to promptly detect differences and avoid recordkeeping errors and unauthorized or inefficient usage of inventory.

In our prior audit, District personnel informed us that they were in the process of obtaining a new integrated software system for the District's food service operations that would provide for an effective monitoring of purchased food inventory turnover rates. The new software was also expected to provide more accurate and efficient management of food usage data and daily comparisons of purchases and food production. During our current audit, District personnel indicated that they had completed the testing of an integrated software system; however, the purchase of the software had not been approved as of January 2008.

Recommendation: The District should continue its efforts towards the acquisition and implementation of a new food service software system allowing for a perpetual real time inventory. Procedures should be enhanced to document management's review of the purchased food inventory turnover rate within each educational level (e.g., elementary, middle, and senior) and the reasons for significant rate variances from the average should be further explained. This analysis would provide the Department of Food and Nutrition an objective tool to monitor the effectiveness of inventory controls in minimizing the level of inventory needed at each location. In addition, a monthly comparison of the physical inventory counts to the calculated ending inventory balance, and food purchases with food usages should be performed and significant differences reconciled.

Finding No. 3: Food Production and Menu Record

Title 7, Section 210.10, Code of Federal Regulations, requires that the District prepare and keep food production and menu records to document meal pattern requirements. The Department of Food and Nutrition's Procedure No. C-6, *Production and Menu Record*, requires the completion of daily Production and Menu Record forms to document compliance with the meal pattern requirements and for use as a tool for monitoring the quantities of food items used in the preparation of meals.

Production and Menu Record forms, prepared daily by each school cafeteria, provide information as to the description of each food item used, the size of the serving, the bulk quantity used and unit size, the number of leftover servings brought forward from the prior day, the number of leftover servings for the current day, total servings used, the number of planned meals, and the actual number of meals served. The actual number of meals served by each cafeteria is obtained from meal count reports produced by the District's computerized cafeteria point-of-sale system called Prepaid Card Services (PCS). Properly completed Production and Menu Record forms provide information for verifying the accuracy of the reported number of meals served by each school cafeteria, and for verifying the reasonableness of food usage.

In our report No. 2006-103, dated January 2006, we noted that the Production and Menu Record forms were often incomplete and not accurately prepared. Our current review of the Production and Menu Record forms selected from ten school cafeterias for a one week period again disclosed instances in which procedures were not followed for the preparation of the forms, as discussed below:

- Of the 50 Production and Menu Record forms tested, we noted 15 instances in which the forms were not completed at three schools.
- The "Planned Use for Leftovers" column on 15 (43 percent) of 35 Lunch Production and Menu Record forms tested was either not completed or incorrectly coded.
- The servings available, plus leftover servings brought forward from the prior day, minus leftover servings for the current day were not properly calculated to equal the correct number of total servings used on 18 (51 percent) of 35 Breakfast Production and Menu Record forms tested and 20 (57 percent) of 35 Lunch Production and Menu Record forms tested.
- We selected 20 Production and Menu Records for certain days from three middle and one senior school cafeterias for testing a la carte items, to determine whether the Production and Menu Record forms had been completed, as requested. Our test disclosed that 18 forms were either not prepared or were not properly completed.
- The Production and Menu Record form provides a space for entering the total number of portions served based on physical counts and the number of portions served per the point-of-sale system. However, our review disclosed that there was no documented explanation or investigation of significant differences between these two numbers.

Preparing the Production and Menu Record forms inaccurately or inconsistently diminishes the usefulness of the forms for management control purposes and increases the risk of unauthorized or inefficient usage of District resources.

Recommendation: The Department of Food and Nutrition's management should continue to conduct training sessions for food service personnel to enhance the accuracy and effectiveness of the Production and Menu Record. Also, management should routinely review the Production and Menu Record forms for reasonableness and to ensure that the procedures are properly followed and the forms are accurately prepared. Furthermore, procedures should be implemented for the review of significant differences between the physical counts of portions served and the portions served per the point-of-sale system.

Finding No. 4: Overtime Payments

Miami-Dade County District School Board Rule 6Gx13-4D-1.12, requires that the School Board comply with the Federal Fair Labor Standards Act. Accordingly, District procedures provide that employees entitled to overtime who work more than their regularly scheduled number of hours in a week must be paid "time and one-half" (overtime pay) for those hours over and above regular hours worked. The specific guidelines for overtime are governed by the District's individual bargaining agreements. Generally, employees that work in excess of the normal 40-hour work week are to be paid at the rate of one and one-half times the regular straight-time rate of pay.

As similarly noted in our report No. 2006-103, dated January 2006, the District continues to pay significant amounts of overtime to its employees. During the 2004-05, 2005-06, and 2006-07 fiscal years, overtime expenditures in the District's General Fund totaled approximately $16.7, $31.0, and $27.8 million, respectively. Our review of overtime payments made during the 2006-07 fiscal year disclosed that some positions were paid significant amounts of overtime, as noted in the table below:

POSITION DESCRIPTION	Total Overtime Paid Fiscal Year **2006-07**	Total Base Wages Fiscal Year **2006-07**
Safety and Security:		
Police	$3,282,703	$5,911,340
Custodians:		
Head Custodian/Lead Custodians/ Custodians	4,067,157	40,342,836
Maintenance:		
Carpenters	881,497	2,837,068
Refrigeration	785,202	2,034,551
Zone Mechanics (certified)	1,926,854	6,553,247
Fire/Construction/Asbestos Inspectors	286,841	969,449
Electricians	1,323,668	3,772,334
School Transportation:		
Bus Aide	762,329	5,605,350
Bus Drivers	3,666,890	17,889,583
Trades/ Specialists:		
Sound and Communication Technicians	366,252	1,462,295
Computer Specialist	630,037	4,643,649
Secretarial/Clerical:		
School Secretary/ Data Input/ Registrar/Treasurer/ Administrative Secretary	1,360,072	21,202,778

District records indicated that during the 2006-07 fiscal year, 789 employees were paid $10,000 or more for overtime hours worked. To review overtime payments for reasonableness, we selected the 20 employees with the highest overtime payments. Overtime hours worked by the employees selected averaged 857 hours, with 6 employees recording from 1,022 to 1,300 hours of overtime. Employees working over 1,000 hours of overtime in a year would be working overtime that exceeds an average of approximately 19 hours each week for 52 weeks of the year. The weekly average for these employees would increase if vacation, sick leave, and holidays were taken into consideration.

Total overtime hours worked during the 2006-07 fiscal year, related overtime paid, base wages, and total wages, for the employees selected in our test whose extra and overtime wages exceeded 40 percent of their regular wages are shown in the table below:

POSITION DESCRIPTION	TOTAL OVERTIME HOURS	TOTAL OVERTIME PAID	TOTAL BASE WAGES	TOTAL WAGES (1)
Refrigeration Mechanic II	1,250.0	$ 51,570	$ 59,588	$ 111,158
Zone Mechanic - Certified	1,033.5	42,849	59,784	102,633
Lieutenant	493.3	27,987	66,816	94,803
Zone Mechanic - Certified	725.5	30,016	59,784	89,800
Carpenter II	875.0	32,884	54,355	87,239
Computer Specialist	1,300.0	39,752	45,329	85,081
Registrar High School	962.3	31,375	46,441	77,816
Head Custodian	1,022.0	32,226	43,747	75,973
Patrol Officer	1,033.9	28,776	38,633	67,409
Patrol Officer	952.8	27,873	37,184	65,057
Bus Driver	1,130.0	30,747	25,500	56,247
Bus Aide	727.7	15,762	22,851	38,613

Note: (1) Total wages excludes amounts that employee may have received for bonuses, salary supplements, sick leave buybacks, etc.

Since overtime is paid at a one and one-half time basis, its extensive and continued use has a negative effect on District operations in that overall salary costs increase significantly without a corresponding increase in the number of hours actually spent on operations. Facilities Operations, Maintenance department management provided us with a staff analysis that was performed for the 2006-07 fiscal year which identified critical shortages in trade and support positions. The staff analysis did not indicate whether other alternatives to overtime were considered such as, using part-time employment, rotating shifts, and outsourcing. District personnel indicated that 248 additional positions were created with the intent of enhancing the department's efficiency and reducing overtime; however, there was no evidence of what effect, if any, the creation of these positions and employment of additional personnel had on these overtime payments.

District records did not evidence that a cost-benefit analysis was performed by other departments to study possible alternatives to overtime payments. While we recognize the need for overtime during peak periods for certain positions, reducing or eliminating the need for substantial amounts of overtime throughout the year would free some of the District's limited resources to be more efficiently utilized.

Recommendation: The District should enhance its procedures to document the justification for management's approval of large amounts of overtime payments for specific positions. The justification should be supported by a cost-benefit analysis that provides alternatives to overtime in the areas for which large amounts of overtime are paid. This analysis should include current staffing levels, personnel utilization, and the feasibility of using part-time employment, rotating shifts, and outsourcing. For work generally required to be performed after the regular work day, part-time employment, rotating shifts, and outsourcing could result in substantial savings.

Auditor's Clarification:

The District indicates in its response to Finding No. 4 that the incremental cost of overtime was unavoidable based on the District's needs and the staffing levels in the various departments, and that overtime pay was properly authorized and approved by the department heads. However, the District also indicates in its response to Finding No. 5 that internal auditors have recently completed focus audits on payroll, including Plant Operations payroll, upon which they reported that overtime payroll record keeping and practices were unacceptably poor and inefficient. Accordingly, while we recognize that there may be periods in which overtime is justified, we remain of the opinion that the District should enhance its procedures to document the justification for management's approval of large amounts of overtime payments for specific positions. The justification should be supported by a cost-benefit analysis that includes consideration of alternatives to overtime in the areas for which large amounts of overtime are paid.

Finding No. 5: Overtime Payments – Monitoring Procedures

Our review disclosed that the District's overtime procedures provide for overtime to be authorized by supervisory personnel. Reports are generated and distributed to each department each pay period listing employee names and related overtime hours. Copies of the reports are also sent to the Office of Management and Compliance Audits (OMCA). Payroll Department personnel are responsible for contacting the payroll clerk at the employee work locations to verify the accuracy of overtime payments.

In our report No. 2006-103, dated January 2006, we recommended that the District evaluate the reasonableness of staffing and personnel utilization, based on reports of overtime worked and paid in the individual departments. Our current review disclosed that the District did not implement such monitoring procedures during the 2006-07 fiscal year. We were informed that OMCA personnel performed reviews of the overtime reports. However, these reviews consisted primarily of inquiries of management regarding the reasonableness of unusual overtime activity, and there was no documentation to evidence the reviews or the resolution of questionable overtime payments arising from these procedures.

Effective July 2007, a quarterly report of all District employees earning more than $10,000 of overtime was generated. Procedures were enhanced to require management to document the justification of the overtime expenditures for these employees. We also noted that the OMCA's approved audit plan for 2008 includes an audit of overtime at the District police department.

When overtime is not effectively monitored, there is an increased risk that errors, waste, or fraud may occur and not be timely detected. For instance, some employees may have an incentive to work excessive overtime in an effort to increase their average yearly salary for retirement purposes.

Recommendation: Given the amount of overtime being paid by the District from the General Fund ($27.8 million during the 2006-07 fiscal year), the District should periodically evaluate the reasonableness of staffing and personnel utilization, based on reports of overtime worked and paid in the individual departments. In addition, the Office of Management and Compliance Audits should document its reviews of the reasonableness of overtime payments and continue to perform focus audits of overtime for those departments that pay significant amounts of overtime to their employees.

Finding No. 6: Fingerprinting Requirements

Section 1012.465, Florida Statutes, requires that noninstructional school district employees or contractual personnel who are permitted access on school grounds when students are present, who have direct contact with students, or who have access to or control of school funds, must meet level 2 screening requirements. To address the needed background screenings of current employees, the Florida Department of Education (FDOE), in a memorandum dated June 25, 2004, recommended that background screenings be obtained for approximately 20 percent of the noninstructional employees each year, beginning with the 2004-05 fiscal year, in order to complete background screenings for all employees over the five-year period ending July 1, 2009.

As of September 2007, fingerprinting and background screenings for noninstructional personnel already employed as of July 1, 2004, had not begun. A list obtained from the District, dated March 28, 2007, showed approximately 17,380 active noninstructional employees who were employed as of July 1, 2004. Without following the guidance provided by FDOE to conduct the required background screening checks, there is an increased risk that noninstructional staff may have backgrounds that are not suitable for direct contact with students.

Recommendation: The District should enhance procedures to ensure that the required fingerprinting and background checks are timely performed for noninstructional employees.

Auditor's Clarification:

In its response to Finding No. 6, the District indicates that it simply cannot afford to implement the fingerprinting requirements mandated. However, the point of our finding is that when background screenings are performed the risk is decreased that an employee with an unacceptable background may be allowed contact with students. In addition, Section 1012.465, Florida Statutes, provides that such screening shall be reperformed every five years.

Finding No. 7: Annual Facility 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 State Board of Education. In addition, firesafety inspections of each educational and ancillary plant are required to be made annually by persons certified by the

Division of State Fire Marshal to be eligible to conduct firesafety inspections in public educational and ancillary plants.

We reviewed the inspection records for four school facilities (Filer Henry H. Middle, Kinloch Park Middle, Little River Elementary, and Miami Shores Elementary) as of April 2007, and noted that the required annual inspections were performed. The inspectors recorded the deficiencies by building and room number and indicated whether the correction involved a capital expenditure, maintenance expenditure, or that the correction could be made by site personnel.

As similarly noted in our report No. 2006-103, dated January 2006, inspection records for the four schools showed approximately 323 deficiencies or facility maintenance needs which remained unresolved for two or more years after the date the inspections were performed. Examples of the identified safety deficiencies which remained unresolved included missing special needs ramps, missing smoke and heat detectors, missing alarm strobe and emergency exit signs, and locked exit doors. Failure to timely correct 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.

Recommendation: The District should enhance its maintenance and planning procedures to ensure that facilities comply with fire, casualty safety, and sanitation requirements.

Finding No. 8: Architect Errors and Omissions

The District contracts for architectural and engineering (A/E) services for the development of project plans and specifications for its significant construction projects. Our review of four A/E contracts, entered into by the District in the 2006 calendar year, for projects with an original estimated construction cost that ranged from approximately $28 million to $93 million, disclosed that the contracts contained a provision that the District would not claim or recover additional construction costs or damages for architectural or engineering errors and omissions when the total cost of errors, plus 15 percent of the cost of omissions, remains less than 1.5 percent of the total project construction costs. If the 1.5 percent threshold is exceeded, the District can recover the full and total additional construction costs as a result of errors and omissions; that being defined as the cost of errors plus 15 percent of the cost of omissions.

The District indicated that the contract language was developed through consultations with representatives from the American Institute of Architects, and that the percentage levels were based on local design and construction industry data. The District further indicated that including a threshold allowance in its A/E agreements for A/E errors and omissions is both beneficial and economical in that it efficiently focuses the Board's resources in identifying, managing, and pursuing recovery of additional costs where appropriate and where there is greater likelihood of success, while avoiding unnecessary effort and expense in pursuit of those additional costs, which are unrecoverable.

While it may be desirable for the District to establish an amount for architectural or engineering errors and omissions before pursuing legal action, the District should not be obligated by contract to automatically accept any amount of additional construction costs that are incurred as a result of errors or omissions by its architects/engineers. The terms of the current A/E contracts could result in significant additional construction costs to the District. For example, on a project with an estimated construction cost of $93 million, an omissions allowance of 1.5 percent could represent additional construction costs of $1,395,000. A similar finding was noted in our report No. 2006-103, dated January 2006.

Recommendation: The Board should consider revising future architect/engineer contracts to eliminate the errors and omissions allowance. Considering the amount of additional construction costs that the District could incur as a result of architectural and engineering errors and omissions, any forgiveness granted by the District to these professionals for their errors and omissions should only be on a case by case basis, after careful evaluation by the District's construction and legal staff of the additional construction costs and circumstances of the claim.

Auditor's Clarification:

The District states in its response to Finding No. 8 that it would not be fiscally prudent to pursue reimbursement from architects and engineers for the costs of each and every error and omission when such recovery would be precluded. However, the point of our finding is that, while it may be desirable for the District to establish an amount for architectural or engineering errors and omissions before pursuing legal action, the District should not be obligated by contract to automatically accept any amount of additional construction costs that are incurred as a result of errors or omissions by its architects and engineers.

Finding No. 9: Project Closeout

Section 4.2(3) of the Florida Department of Education's publication, *State Requirements for Educational Facilities – 1999*, requires the Board to establish policies and procedures for all construction contracts and for making payments to contractors. Such policies and procedures should provide for final acceptance of the project, including the criteria and conditions for project completion, substantial completion, punch lists of items to be completed by the contractor, building code inspections, warranties, equipment manuals, as-built documents, occupancy, the value of incomplete items if the Board should accept the facility for occupancy prior to completion of the items, and other issues as appropriate. In addition, final payment should not be made until an Occupancy Certificate has been issued, the project has been completed, and the Board has accepted the project.

To close out unfinished construction projects which had been certified as substantially complete, the District secured the services of a construction contractor, in June 2005, to provide contract and project closeouts for 118 projects with original construction dates prior to September 2000. The closeout work that was to be performed by the contractor included the completion of building code deficiencies and other punch list items, additional building code inspections, the obtaining of warranties, equipment manuals, and as-built documents. While the contractor completed the closeout of 49 projects as of June 30, 2007, the remaining 69 projects had not been closed due to document control and inspection related issues.

We were informed by District personnel that, in April 2007, the District's Department of Construction Management at Risk was reassigned the responsibility for the construction project closeout process with the construction contractor assisting with the transition to closeout the remaining 69 projects.

Recommendation: The District should continue its efforts to complete the projects that are in closeout status, and take appropriate action to reduce the number of construction projects that are in closeout status.

Finding No. 10: Facilities Work Program

Section 1013.35, Florida Statutes, requires that the Board annually prepare a tentative district educational facilities plan (i.e., facilities work program), prior to the adoption of the district school budget, that includes planning for facilities needs over 5-year, 10-year, and 20-year periods. This tentative educational facilities plan is to be submitted to the State Office of Educational Facilities and SMART Schools Clearinghouse and the affected local governments.

Section 1013.61, Florida Statutes, requires that the Board adopt an annual capital outlay budget that communicates the Board's capital outlay needs for the entire year so they may be well understood by the public. The annual budget shall designate the proposed capital outlay expenditures by project for the year from all fund sources. However, contrary to the provisions of Section 1013.35, Florida Statutes, deficiencies existed in the District facilities work program, as follows:

- The amounts reported in the facilities work program did not agree with the adopted annual capital outlay budget for the 2006-07 fiscal year. We noted that the District reported approximately $1.2 billion for major repair, renovation, and capital outlay projects in the facilities work program; however, the District reported approximately $2.6 billion for these types of expenses in its annual capital outlay budget, for a difference of $1.4 billion. A similar finding was noted in our report No. 2005-074, dated November 2004.
- Several sections of the District's facilities work program failed to provide a schedule of projects, as required by Section 1013.35(2), Florida Statutes. For example, one section of the facilities work program requires a schedule of major repair and renovation projects necessary to maintain the educational facilities and ancillary facilities of the District. However, the District limited its disclosure to a breakdown by category, such as safety to life renovations and capital outlay abatement, instead of identifying the specific projects. Another section of the facilities work program requires the District to provide a schedule of projects which cannot be funded from projected revenues. Although the District's unfunded projects totaled $1.2 billion, a schedule of unfunded projects was not provided and the disclosure consisted only of two amounts – Capacity Projects - $617,172,530 and Non-Capacity Projects - $582,827,470.
- The District's facilities work program indicated that the total 5-year unfunded project amount was approximately $1.2 billion and the District listed other financing sources as the only option for the generation of additional revenue and did not specify the particular funding source. Consequently, it was not evident whether the District has a reasonable plan for the generation of additional revenue to fund these projects.

Without a properly prepared and adopted facilities work program and annual capital outlay budget, the ability of the Board to monitor the District's capital outlay needs may be limited.

Recommendation: The District should enhance procedures to ensure that the adopted facilities work program contains the required information and reconciles to the adopted capital outlay budget.

Auditor's Clarification:

The District indicates in its response to Finding No. 10 that the facilities work program only reports projects with funding in years 1 through 5 whereas the capital outlay budget includes projected expenditures for the particular fiscal year, including carry-over funding from projects at various stages of construction. However, the point of our finding is that a difference of $1.4 billion was noted between the facilities work program and the capital outlay budget for the 2006-07 fiscal year. This is contrary to Section 1013.35, Florida Statutes, which states that the first year of the adopted District educational facilities plan shall constitute the capital outlay budget.

Finding No. 11: Guaranteed Maximum Price Contract Allowances

Section 1013.45(1)(c), Florida Statutes, authorizes district school boards to contract for the construction or renovation of facilities with a Construction Management Entity (CME). The CME would be responsible for all scheduling and coordination in the construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The Statute further provides that the CME may be required to offer a guaranteed maximum price (GMP).

The District's Construction Manager At-Risk contracts provide that the construction manager (CM) be paid a lump sum fee for pre-construction phase services (design & bid phases) and the presentation of a guaranteed maximum price. Detailed cost estimates are prepared by the CM and provided to the District throughout the design phase of a project. After prequalifying subcontractors, reviewing, and identifying the lowest acceptable bids from responsive and responsible subcontractors, the CM proposes a guaranteed maximum price to the Board for the project. The Construction Manager At-Risk contracts provide that the guaranteed maximum price includes the sum of the proposed subcontracts, the CM's general conditions (including any fee, profit, overhead, and all like amounts), and the contingency. The contingency amount is a source of funds for costs reasonably and necessarily incurred and paid by the CM in connection with the proper performance of the work required under the contract, which work was unforeseeable by the CM and the District at the time the guaranteed maximum price is accepted by the District. Any unused portion of the contingency accrues to the benefit of the District.

Our review of the GMP detail cost breakdown (Schedule of Values) for five projects disclosed that the GMP for those projects included amounts shown as allowances for various items of work. The contract, contingency, and allowance amounts for those contracts are shown in the following table:

School Name	Project Number	Contract Amount	Contingency Amount	Allowance Amount	Allowance Percent of of Contract
South Miami Elementary	A01107	$ 18,231,230	$ 1,657,384	$ 4,738,500	26%
Winston Park Elementary	A01092	14,286,702	1,298,791	4,900,200	34%
Rockway Middle	A01134 & 0021224402	13,245,554	1,204,141	1,848,960	14%
John F. Kennedy Middle	A01154	10,948,483	995,316	1,802,500	16%
Coral Reef Senior	A00142800	6,990,120	635,465	1,162,000	17%
	Total	$ 63,702,089	$ 5,791,097	$ 14,452,160	

Although the allowance amounts were included in the GMP, allowances were not provided for in the terms and conditions of the written contracts or in the District's written procedures for Construction Manager At-Risk contracts. Allowance categories for the projects reviewed included the relocation of portables, physical education shelter, sodding and topsoil, irrigation and landscaping, walkway covers, ceramic tiles at corridors, playground equipment, off-site utilities, drainage and sewer, and fire alarm installation and it was not evident from District records or through discussions with District personnel how the CM was able to propose a GMP, and the District accept and approve such GMP, when the projects included such work (as much as 34 percent) which had not been sufficiently defined in the construction documents. District personnel further stated that prior to proposal and acceptance of the GMP, the costs for those items of work were not known and such work was not subjected to subcontractor bidding. District personnel also stated that allowance amounts specifically relate to items which had not been defined with sufficient detail in the construction documents at the time of bidding and therefore could not be accurately priced by the CM.

We reviewed the use of individual allowance amounts and noted that allowances were either used for the item of work shown on the Schedule of Values or transferred to other portions of the project work. For example, the Schedule of Values for the Winston Park Elementary School project listed an allowance of $250,000 for a Physical Education Shelter. During construction of the project the contractor requested a total of $587,047 to provide labor, equipment, and materials associated with the work to be done for the shelter, as follows:

Description of Work	Amount
Lighting	$ 69,643
Plumbing	58,925
Metals	109,270
Roofing	62,400
HVAC	29,541
Paint, Framing, and Drywall	46,293
Panels for Shelter and Storage	210,795
Other	180
Total	$ 587,047

Since the physical education shelter allowance was only $250,000, allowance amounts for other items of work were used to complete the shelter, as follows:

Description of Allowance	Amount
Physical Education Shelter	$ 250,000
Sewer (Allow. - $200,000)	141,598
Fire Alarm (Allow. - $400,000)	116,111
Covered Walkway (Allow. - $700,000)	46,293
CCTV Interconn (Allow. - $50,000)	33,045
Total Requested by Contractor	$ 587,047

District personnel explained that the unused portion of allowance amounts may be transferred to other portions of the project work, as approved by the Project Team, and that any remaining unused allowance amounts are not retained by the CM or paid to the contractor. Instead, the remaining unused allowance amounts are credited to the District prior to the final closeout of the project.

Given the significant amount and nature of the allowances noted (14 to 34 percent of the total GMP for the projects reviewed), in the absence of written procedures and contract terms and conditions that provide for the use and disposition of GMP allowances, the District's ability to ensure satisfactory completion of the work and the reasonableness of the costs for the work is limited. Written contract terms and conditions that provide for the use and disposition of GMP allowances would also help to define important legal responsibilities and obligations in the event of disputes and litigation.

Recommendation: To ensure a fair and equitable Guaranteed Maximum Price, only work that has been sufficiently defined in the construction documents and subjected to subcontractor bidding procedures should be included in the CM's proposed GMP. Additionally, the terms and conditions for the use and disposition of any GMP allowances should be provided for in the District's Construction Manager At-Risk contracts and the District should enhance its written procedures to provide for the proper management of GMP contract allowances.

Finding No. 12: Ad Valorem Taxation

Section 1011.71(2), Florida Statutes, provides that each school board may levy no more than 2 mills against the taxable value for capital outlay purposes. Section 1011.71(5), Florida Statutes (2006) [1], provided that revenue generated by the capital outlay millage levy should be used for only certain purposes such as the costs of construction, renovation, remodeling, maintenance, and repair of the educational plant. Section 1011.71(5), Florida Statutes, further provided that these restrictions do not apply if a school district certifies to the Commissioner of Education that all of the district's instructional space needs for the next five years can be met from capital outlay sources that the district reasonably expects to receive during the next five years or from alternative scheduling or construction, leasing, rezoning, or technology methodologies that exhibit sound management. The District did not submit such a certification for the 2006-07 fiscal year.

[1] Chapter 2007-194, Laws of Florida, repealed Subsection 1011.71(5), Florida Statutes, effective June 19, 2007.

District records indicated that expenditures from the ad valorem taxes restricted for capital outlay purposes totaled $352,572,904 during the 2006-07 fiscal year. Our review of these expenditures, which included reimbursements to the General Fund, disclosed that the District generally used these moneys for authorized purposes, except as described below:

- The District used capital outlay ad valorem taxes to reimburse the General Fund for operating expenditures totaling $17,613,804 for its instructional technology incentive and instructional media programs. The General Fund was reimbursed $9,030,533 for expenditures incurred by the District's Instructional Technology Incentive program for salaries and benefits of managers and support specialists. In addition, the General Fund was reimbursed $8,583,271 for expenditures incurred by the District's Instructional Media program for the salaries and benefits of managers, support specialists, secretaries, and clerks at several of the District's schools. Our review of job descriptions for the positions funded with the capital outlay ad valorem taxes disclosed that the duties and responsibilities assigned for those positions were not for capital outlay purposes authorized by Section 1011.71, Florida Statutes.
- Also, the District funded expenditures of $1,017,771 from the capital outlay ad valorem taxes for the purchase of computer software by Information Technology Services. The purchase of computer software from capital outlay ad valorem taxes was not authorized by Section 1011.71(5)(a), Florida Statutes.

Because District records did not evidence that these funds were properly spent for authorized capital outlay purchases and activities, the above expenditures totaling $18,631,575 represent questioned costs subject to disallowance by the Florida Department of Education. Pursuant to Section 1011.71(5)(d), Florida Statutes, a District that violates the expenditure restrictions of Section 1011.71(5)(a), Florida Statutes, shall have an equal dollar reduction in the Florida Education Finance Program funds appropriated under Section 1011.62, Florida Statutes, in the fiscal year following the audit citation.

Recommendation: The District should establish and implement procedures to ensure expenditures of its capital outlay ad valorem taxes are made only for authorized capital outlay purposes. The District should also document to the Florida Department of Education the allowability of these questioned costs as the District is subject to equal dollar reductions in its Florida Education Finance Program funds for the amount of any disallowed costs.

Auditor's Clarification:

In its response to Finding No. 12, the District refers to the definitions of educational plant and educational facilities in explaining its basis for using capital outlay tax moneys for salaries of personnel working in the instructional technology incentive and instructional media programs and for the purchase of software used for the maintenance of technology equipment. However, the point of our finding is that job descriptions of the positions funded with the capital outlay tax moneys indicated that the duties of these positions did not appear to be consistent with the definitions of maintenance and repair of educational plant provided in Chapter 1013, Florida Statutes. The definitions provided in Chapter 1013, Florida Statutes, address educational plants and facilities and maintenance and repair of those plants and facilities. Further, the definitions make a distinction between allowable maintenance and repair functions, and other operational type functions such as custodial and groundskeeping activities, which are not allowable uses of capital outlay tax moneys. Further, the purchase of this software does not appear allowable as either maintenance of the educational plant or as the purchase of equipment directly related to the delivery of student instruction, as permitted by Section 1011.71(5)(a), Florida Statutes (2006).

As previously indicated, in resolving the questioned expenditures, the District should document to the Department of Education the allowability of these questioned costs as the District is subject to equal

dollar reductions in its Florida Education Finance Program funds by the Department of Education for the amount of any disallowed costs.

Finding No. 13: Workforce Development Education Program – Match of Student Records to Death Files

The Department of Education (DOE) requires the District to identify each Workforce Development Education (WDE) student with a student number identifier to enable the State to track the students across Statewide systems. The District generally uses a student's social security number as the student number identifier. If the student does not provide a social security number, the automated registration system generates an identification number for the student.

Funding for the WDE Program is based, in part, on certain performance measures reported by the District to DOE. The performance measures represent student completions of certain courses or defined points within a course referred to as Occupational Completion Points (OCP) for Vocational Certificate Programs or Literacy Completion Points (LCP) for Adult General Education Programs.

Our review of the District's WDE Program enrollment records submitted to DOE during the audit period included a comparison of the student number identifier to the social security numbers of deceased individuals found in the death records of the Bureau of Vital Statistics. As similarly noted in our report No. 2004-108, dated January 2004, we found 13 students who had registered for adult or vocational education courses using social security numbers belonging to individuals shown in the death records as deceased. Further review of the District's academic records for the 13 students noted that 5 had earned Literacy Completion Points (LCP) for adult general education courses.

The Identity Theft and Assumption Deterrence Act of 1998 (Code 18 U.S.C., paragraph 1028) (Act) makes it a Federal crime when someone knowingly uses, without lawful authority, a means of identification of another person with the intent to commit or assist any unlawful activity that violates Federal law, or that constitutes a felony under any applicable state or local law. Under the Act, a social security number is considered a means of identification. Section 817.568, Florida Statutes, also includes social security numbers as personal identification information and indicates that the unauthorized use of personal identification information is a felony.

Although the District has a computer program to verify the validity of social security numbers and has enhanced its verification procedures, it currently does not have a means to detect the fraudulent or incorrect use of information unless the social security number matches that of an individual previously registered as a student with the District. The District's limited ability to detect when students register with social security numbers assigned to other individuals may allow the fraudulent use of personal information, in violation of Federal and State laws, without timely detection, and may also affect the State's ability to track the students if the student subsequently obtains a valid social security number.

Recommendation: The District should refer the 13 instances of improper use of social security numbers to appropriate Federal and State agencies which have law enforcement responsibilities and expertise related to identity theft. In addition, we recommend that the District seek the advice of appropriate Federal and State agencies in determining alternative means to enhance their effectiveness in verifying social security numbers presented by students at registration.

Auditor's Clarification:

The District indicates in its response to Finding No. 13 that fighting identity fraud is a national phenomenon, and that verifying each social security number submitted against databases maintained by the State and Federal Government would be a very costly process. However, we remain of the opinion that the District seek the advice of appropriate Federal and State agencies in determining alternative means to enhance their effectiveness in verifying social security numbers presented by students at registration.

Finding No. 14: Monitoring Fuel Efficiency of Vehicles

The District spent $4.2 million on gasoline and $8.1 million on diesel fuel during the fiscal year ended June 30, 2007. The principal system used for dispensing fuel to the District's vehicle fleet is the Vehicle Information Transmitter (VIT) system. The VIT system uses a fuel tracking device installed in the fuel tank area of the vehicle to track fuel distributed through the fuel pumps located at the District's transportation centers. The tracking device activates the fuel pump and allows the user to obtain fuel without the use of a fuel card or pin number while capturing data which allow management to generate fuel consumption reports for each vehicle.

Monitoring the reasonableness of fuel consumption is the responsibility of each department which has or utilizes District vehicles. The system generates various weekly and monthly fuel consumption reports for vehicles that are fueled through the system. The reports are printed by Information Technology Services (ITS) and contain the date and time of the fueling, gallons of fuel consumed, unit and total cost of the fuel consumed, and vehicle odometer reading at the time of the fueling. A vehicle utilization summary and an error report are also generated. District personnel at the Department of Transportation (DOT) review the utilization summary and error report, and attempt to resolve any system errors by researching the daily and monthly fuel reports and the fuel distribution information provided by the outside vendors. If the source of the error cannot be determined, the reports are forwarded to the respective vehicle maintenance centers and to the appropriate department managers for resolution.

In December 2006, the District's Office of Management and Compliance Audits (internal auditors) presented to the Board a report of the District's fleet utilization practices which included, in part, a review of fuel consumption reports generated by the VIT system. The internal auditors found reporting errors which compromised controls over the propriety of fuel usage and affected the accuracy of both fuel inventory and cost distribution information. Some of the errors included inaccurate unit cost or no unit cost and inaccurate odometer reading or mileage. The internal auditors noted that because of the errors and inconsistencies in the reports, management questioned the usefulness of the reports. In addition, there was little or no documented evidence to prove that the errors or exceptions noted on the fuel reports were ever resolved or corrected by management.

In response to recommendations made by the internal auditors, DOT management indicated that they would continue to review the fuel exception reports and resolve any discrepancies, as well as use the noted discrepancies to identify areas on the system that were in need of enhancements or modifications. User departments would be required to review the VIT fuel consumption reports and investigate noted unusual consumption or errors in a timely manner. However, our review of fuel consumption reports for May and June 2007 disclosed instances of errors or exceptions related to vehicle odometer readings and calculated miles per gallon. There was little or no documentation to evidence that these errors or exceptions noted on the fuel reports were ever resolved or corrected by management. As a result, management's ability to monitor the fuel efficiency for these vehicles was limited and the risk of unauthorized usage of District fuel for these vehicles increased. Similar findings were noted in our report No. 2004-009, dated July 2003.

Recommendation: The District should continue its efforts to ensure the accuracy of fuel consumption reports. Procedures should be enhanced to ensure that all departments assigned District-owned vehicles diligently review fuel usage reports to ensure that unusual transactions are identified and timely investigated. In addition, supervisory review of fuel consumption reports should be documented to enhance accountability and control over fuel usage.

Finding No. 15: Cellular Telephones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. Expenditures for cell phone usage totaled approximately $2 million for the 2006-07 fiscal year.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T(e). Because cellular telephones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the District to establish the amount, date, place, and business purpose for each business use. A notated copy of the employee's cell phone bill is an example of such a record. In addition, the employer must monitor cell phone use to confirm the cell phone was only used for business.

If the District does not properly monitor cell phone use, the District must include the value of such service in the employee's income reported to the Internal Revenue Service. The District's policies and procedures require that cell phone billings be routinely checked to ascertain personal calls made, and employees are to reimburse the District for personal calls. In addition, cell phones use is restricted to essential District business or emergencies. Procedures also require for monthly bills to be forwarded to the employees for their review and reimbursement is to be made to the District for personal calls. However, these procedures did not require employees to submit evidence that the cell phone bills were reviewed. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

District personnel indicated that procedures are being revised to require employees to document review and verification of cell phone charges. The District will require employees to document through e-mail to their supervisor that cell phone calls were for business purposes only or that personal calls were identified and are to be reimbursed. Also, the work location supervisor or designee must ensure that all employees assigned a cell phone submit a reply for each billing cycle.

Recommendation: The District should confer with the IRS regarding development and implementation of a cell phone policy and procedure, as appropriate, and any corrective actions regarding previously unreported income.

Finding No. 16: Monitoring of Charter Schools

During the 2006-07 fiscal year, the District sponsored 57 charter schools. The charter school agreements required, in part, that the charter schools provide the District with evidence of insurance for:

- Commercial general liability of $1 million per occurrence/$3 million annual aggregate (inclusive of any amounts provided by an umbrella or excess policy), with the District named as additional insured;
- Automobile liability of $1 million per occurrence/$3 million annual aggregate, if subject to an annual aggregate (inclusive of any amounts provided by an umbrella or excess policy);
- Workers' compensation/employers' liability (EL) of $500,000 EL each accident, $500,000 EL disease-policy limit, and $500,000 EL disease-each employee;
- Property for the full replacement value of the school facility and all contents; and
- At least a 60 day cancellation provision.

Our review of insurance certificates for 15 charter schools disclosed the following instances in which the insurance coverage maintained by the charter schools did not comply with the requirements of the charter school agreements:

- Commercial General Liability: The policy limit for two charter schools of $2 million annual aggregate was below that required by the charter school agreement, for 7 and 11 months, respectively, of the fiscal year.
- Automobile Liability: Coverage for one charter school was not in effect for the entire fiscal year. The policy limit for another charter school of $300,000 was below that required by the charter school agreement.
- Workers' Compensation/Employers' Liability: Coverage for one charter school was not in effect for three months of the fiscal year; and for the remaining nine months of the fiscal year the policy limits of $100,000 each accident and $100,000 disease-policy limit were below those required by the charter school agreement.
- Property: Coverage for two charter schools was not in effect for 5 and 12 months, respectively, of the fiscal year.
- Cancellation Provision: All 15 of the charter schools tested had cancellation provisions ranging from 0 to 45 days, contrary to the 60 day cancellation provisions in the contracts.

Without adequate procedures to monitor the charter schools' insurance coverage, there is an increased risk that such coverage may not exist or be insufficient, subjecting the District to potential losses.

Recommendation: The District should improve monitoring procedures to ensure that its charter schools provide for and maintain the insurance coverage required in the charter school agreements.

PRIOR AUDIT FINDINGS

Except as noted in the previous paragraphs, we determined that the District had substantially corrected the deficiencies noted in previous 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 Miami-Dade County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in the Management Response Section of this report beginning on page 118. The attachment referred to in the Superintendent's response to Federal Awards Finding No. 3 can be obtained from the Miami-Dade County District School Board's Office.

FINANCIAL SECTION

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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 Miami-Dade County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed on page 21. 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 5 percent of the assets and 16 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 respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Miami-Dade County District School Board as of June 30, 2007, 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 Miami-Dade 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 24 through 42) and the Budgetary Comparison Schedule (shown as exhibit J) 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 *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,

David W. Martin

David W. Martin, CPA
March 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion & Analysis (MD&A) of The School Board of Miami-Dade County, Florida (the District) is intended to provide an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2007.

Since the focus of the MD&A is on the current year activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements, including the accompanying notes. Additionally, as a required part of the MD&A, comparative information for the current year and the prior year is presented for financial analysis to enhance the understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

At June 30, 2007, the General Fund had a fund balance of $137.4 million, representing a decrease of $90.6 million or 39.7 percent from the 2005-06 fiscal year. Of the total fund balance, approximately $40.6 million is unreserved, undesignated, representing a decrease of $28 million or approximately 40.8 percent from the 2005-06 fiscal year.

During the 2006-07 fiscal year, the District issued $508.6 million in Certificates of Participation (COP) Series 2007A/B/C, and $2.6 million of Qualified Zone Academy Bonds, Series 2006, for the construction of new capital projects. Additionally, the District remarketed $79.7 million and $86.8 million in General Obligation Bonds, Series 1996 and 1997, respectively, and $10.6 million in Certificates of Participation Series, 2006D.

The District also sold $233.4 million in forward refunding Certificates of Participation, Series 2008A, that will be reflected in the next fiscal year financial statements.

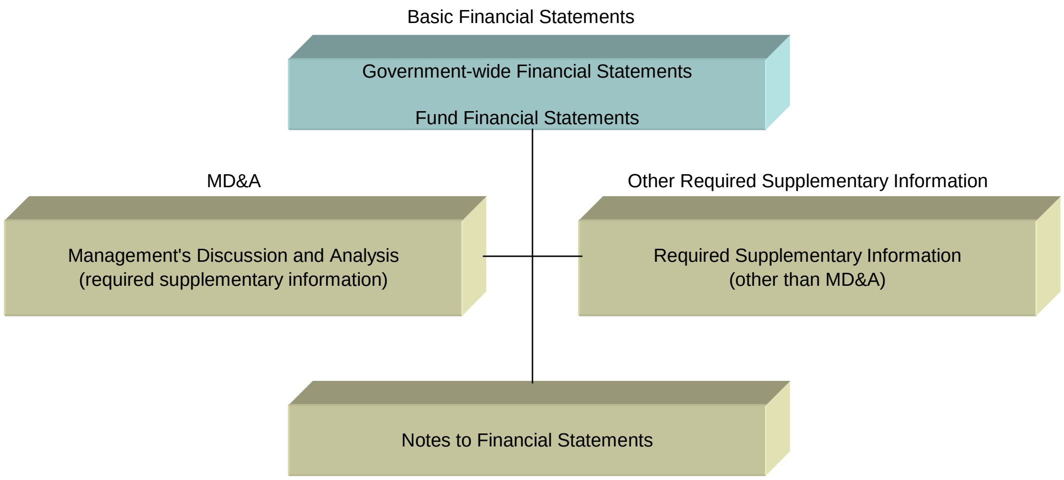
A Revenue Anticipation Note not to exceed $220 million was issued as a line of credit for interim financing of capital projects, of which $48.8 million is outstanding as of June 30, 2007.

The District has authorized up to $170 million of equipment acquisitions under a Master Equipment Lease/Purchase Agreement, of which $100.7 million has been acquired to date, including $13 million for technology related equipment.

The District and the City of North Miami entered into a multi-party agreement with financial institutions, for the construction, financing, and acquisition of educational facilities, providing $124 million interim financing for these projects.

USING THIS REPORT

This report is comprised of different sections. The following graphic is provided to facilitate the understanding of the format and its components:



OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Assets and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The remaining statements, the Fiduciary Funds Statements, provide financial information for those activities in which the District acts solely as a trustee or agent for the benefit of others. The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes form an integral part of the basic financial statements.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities - Most of the activities of the District are reported in these statements, including instruction, instructional support services, operations and maintenance, school administration, general administration, transportation, and food service. Additionally, all State and Federal grants, as well as capital and debt financing activities, are reported here.

The Statement of Net Assets and the Statement of Activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the accrual basis of accounting similar to that used by most private-sector companies. The Statement of Net Assets includes all assets and liabilities, both short and long term. The Statement of Activities reports all of the current year's revenues and expenses, regardless of when cash is received or paid. The two government-wide statements report the District's Net Assets (assets minus liabilities) and the changes that resulted from the District's operations. The relationship between revenues and expenses indicates the District's operating results. Over time, increases and decreases in the District's Net Assets are an indicator of whether the District's financial position is improving or deteriorating. However, as a governmental entity, the District's activities are not geared towards generating profits as are the activities of commercial entities. Other factors, such as the safety of schools and quality of education, must be considered in order to reasonably assess the District's overall performance, particularly because of the limited resources available.

Fund Financial Statements
The District's fund financial statements provide a detailed, short-term view of the District's operations, focusing on its most significant or "major" funds. Certain funds are required by law while others are created by legal agreements, such as bond covenants. The District establishes other funds to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. The District has two kinds of funds – governmental funds and fiduciary funds.

Governmental Funds - The accounting for most of the District's basic services is included in the governmental funds. The measurement focus and basis of accounting continue to be reported using the modified accrual basis of accounting, which measures inflows and outflows of current financial resources and the remaining balances at year-end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets normally are recognized only to the extent that they are expected to have a near-term impact. Inflows of financial resources are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's major governmental funds are the General Fund, Capital Projects - Section 1011.14 F.S. Loans Fund, Capital Projects - Capital Improvement-Local Optional Millage Levy (LOML) Funds, and Capital Projects - Certificates of Participation (COPs) Funds. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on exhibits D and F.

Fiduciary Funds - The District is the trustee, or fiduciary, for resources held for the benefit of others, such as the student activities fund and the pension fund. The District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on exhibit G and the Statement of Changes in Fiduciary Net Assets on exhibit H. The resources accounted for in these funds are excluded from the government-wide financial statements because these funds are not available to finance the District's operations. Consequently, the District is responsible for ensuring that these resources are used only for their intended purpose.

Notes to the Financial Statements
The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

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

Component Units
The discretely presented component units presented in this report are those charter schools that meet the criteria stated in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* Please refer to Note 1.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

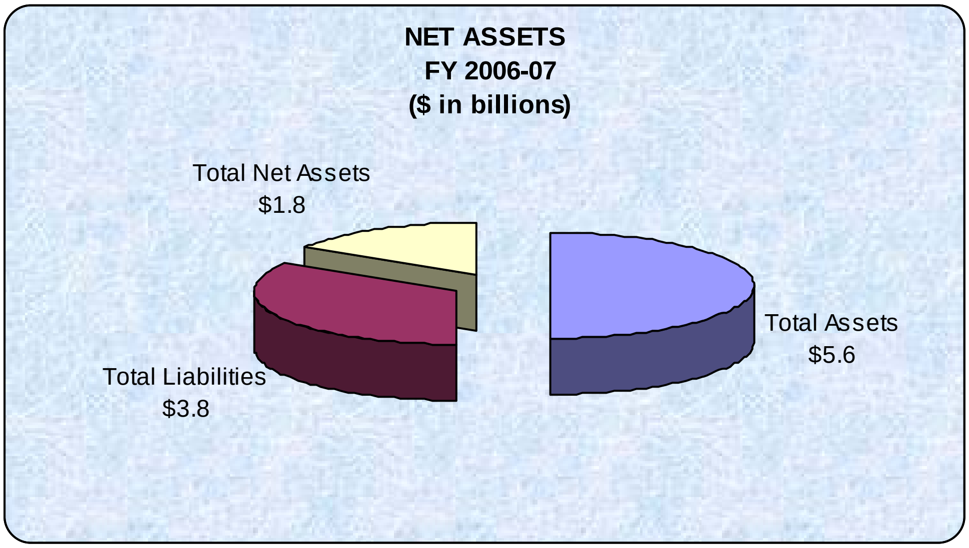
Statement of Net Assets (Government-Wide)
The following table provides a comparative analysis of the District's Net Assets for the fiscal years ended June 30, 2007, and June 30, 2006.

CONDENSED STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
June 30, 2007 and 2006
($ in millions)

Categories	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Current and Other Assets	$ 1,657.5	$ 1,671.9	$ (14.4)	-0.9%
Capital Assets, Net	3,933.1	3,112.3	820.8	26.4%
Total Assets	$ 5,590.6	$ 4,784.2	$ 806.4	16.9%
Current Liabilities	$ 750.2	$ 586.8	$ 163.4	27.8%
Long-term Liabilities	3,048.1	2,477.0	571.1	23.1%
Total Liabilities	$ 3,798.3	$ 3,063.8	$ 734.5	24.0%
Net Assets				
Invested in Capital Assets, Net of Related Debt	$ 1,713.0	$ 1,429.8	$ 283.2	19.8%
Restricted	342.8	457.0	(114.2)	-25.0%
Unrestricted (deficit)	(263.5)	(166.4)	(97.1)	58.4%
Total Net Assets	$ 1,792.3	$ 1,720.4	$ 71.9	4.2%

The District's net assets total $1,792.3 million. Of this amount, $1,713.0 million represents the portion the District has invested in capital assets (land; buildings; furniture, fixtures, and equipment), net of depreciation and less any outstanding debt used to construct or acquire those assets. Restricted net assets in the amount of $342.8 million are reported separately to show legal constraints, from debt covenants and enabling legislation. The $263.5 million unrestricted deficit in net assets reflects the shortfall the District would face in the event it would have to liquidate today all of its noncapital liabilities, including compensated absences and self insurance, at June 30, 2007. A deficit in unrestricted net assets should not be considered, solely, as evidence of economic financial difficulties, but rather as a result of different measurement focuses; long-term compared to short-term perspectives.

With the implementation of GASB Statement No. 34, the District is required to include all of its capital assets, net of accumulated depreciation, and of related debt, as well as all of its long-term liabilities. Consequently, these long-term considerations have a significant impact on the resulting Net Assets.



Statement of Activities (Government-Wide)

The following table summarizes the changes in the District's Net Assets from its activities for the fiscal years ended June 30, 2007, and June 30, 2006.

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
For Fiscal Years Ended June 30, 2007 and 2006
($ in millions)

	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
Program Revenues:				
Charges for Services	$ 69.2	$ 65.5	$ 3.7	5.6%
Operating Grants and Contributions	126.8	153.3	(26.5)	-17.3%
Capital Grants and Contributions	107.5	94.8	12.7	13.4%
Total Program Revenues	303.5	313.6	(10.1)	-3.2%
General Revenues:				
Ad Valorem Taxes	1,638.2	1,421.4	216.8	15.3%
Grants and Contributions Not Restricted to Specific Programs	1,695.3	1,699.7	(4.4)	-0.3%
Interest on Investments	71.8	53.0	18.8	35.5%
Miscellaneous Revenue	21.4	17.5	3.9	22.3%
Total General Revenues	3,426.7	3,191.6	235.1	7.4%
Total Revenues	**3,730.2**	**3,505.2**	**225.0**	**6.4%**
Expenses				
Instructional Services	2,001.3	1,830.9	170.4	9.3%
Instructional Support Services	361.1	339.0	22.1	6.5%
Pupil Transportation	92.2	86.7	5.5	6.3%
Operations and Maintenance of Plant	423.9	408.7	15.2	3.7%
Food Services	135.8	137.7	(1.9)	-1.4%
School Administration	178.4	168.3	10.1	6.0%
General Administration	37.6	35.3	2.3	6.5%
Central Services	67.9	60.0	7.9	13.2%
Capital Outlay	131.3	114.2	17.1	15.0%
Administrative Technology Services	1.5	1.8	(0.3)	-16.7%
Debt Service	107.9	84.1	23.8	28.3%
Other	42.1	41.0	1.1	2.7%
Unallocated Depreciation	86.5	77.2	9.3	12.0%
Total Expenses	**3,667.5**	**3,384.9**	**$ 282.6**	**8.3%**
Increase in Net Assets	**62.7**	**120.3**		
Net Assets-Beginning	**1,720.4**	**1,600.1**		
Adjustments to Net Assets	**9.2**			
Net Assets-Beginning, as Restated	**1,729.6**	**1,600.1**		
Net Assets-Ending	**$ 1,792.3**	**$ 1,720.4**		

The District's total assets were $5,590.6 million and total liabilities were $3,798.3 million as of June 30, 2007. The most significant increases are reflected in Capital Assets and Long-term Liabilities as a result of the District's financing activities to build additional student stations to comply with the Class Size Reduction Constitutional Amendment.

The most significant increase in revenues is a result of higher property values that increased the revenue of Ad Valorem Taxes. Notable increase in expenses is mostly related to School Level Services.

Governmental Activities

The Statement of Activities reports gross expenses, offsetting program revenues, and the resulting net expense (cost) by functions for the current year. The net cost of each of the District's functions represents the expenses that must be subsidized by general revenues, including tax dollars. As reflected in the Statement of Activities, total expenses for governmental activities totaled $3,581 million, excluding $86.5 million of unallocated depreciation expense, of which $303.5 million were financed by charges for services and other program revenues. The resulting net costs of $3,277.5 million, excluding unallocated depreciation expense, were financed mainly by Florida Education Finance Program (FEFP) dollars and property taxes.

The table below presents a comparative analysis of the cost and the net cost of each of the District's functions: School Level Services include Instruction, Student Services (counselors, psychologists, and visiting teachers), Transportation, Custodial and Maintenance (including utilities), School Administration, and Community Services; Instructional Support Services include Curriculum Development and Staff Training; Business Services include Accounting, Budget, Payroll, Accounts Payable, Cash and Debt Management, Purchasing, Personnel, Data Processing, Risk Management, and Warehousing; General Administration; and Facilities Acquisition and Construction.

NET COST OF GOVERNMENTAL ACTIVITIES
For Fiscal Years Ended June 30, 2007 and 2006
($ in millions)

	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Total Cost of Services				
School Level Services	$ 2,873.7	$ 2,673.3	$ 200.4	7.5%
Instructional Support Services	361.1	339.0	22.1	6.5%
Business Services	197.5	164.0	33.5	20.4%
General Administration	17.4	17.2	0.2	1.2%
Facilities Acquisition and Construction	131.3	114.2	17.1	15.0%
Total Cost of Services*	**$ 3,581.0**	**$ 3,307.7**	**$ 273.3**	**8.3%**
Net Cost of Services				
School Level Services	$ 2,636.2	$ 2,427.8	$ 208.4	8.6%
Instructional Support Services	361.1	339.0	22.1	6.5%
Business Services	185.0	150.2	34.8	23.2%
General Administration	17.4	17.2	0.2	1.2%
Facilities Acquisition and Construction	77.8	59.9	17.9	29.9%
Net Cost of Services*	**$ 3,277.5**	**$ 2,994.1**	**$ 283.4**	**9.5%**

*Excluding unallocated depreciation expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the District's major funds: General Fund, Capital Projects - Section 1011.14 F.S. Loans Fund, Capital Projects - Capital Improvement-Local Optional Millage Levy (LOML) Funds, and Capital Projects - Certificates of Participation (COPs) Funds. Financial information for the nonmajor governmental funds is aggregated and presented in a single column.

GENERAL FUND

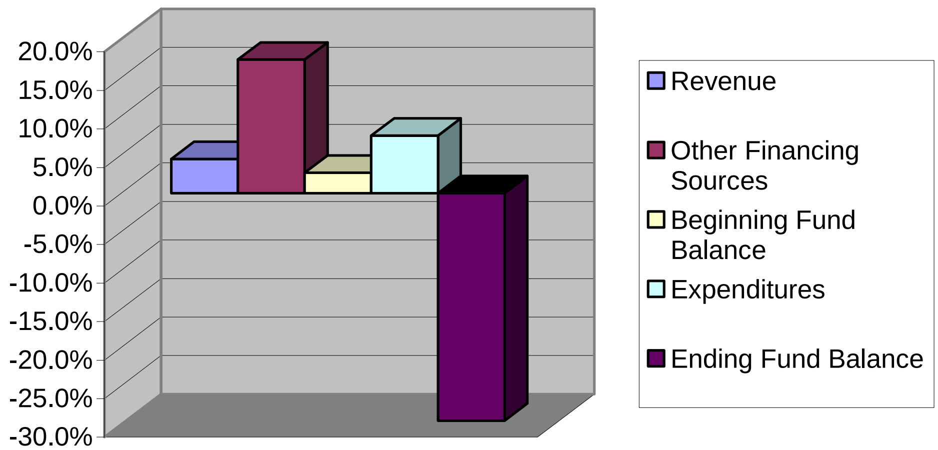
The General Fund is the primary operating fund for the District. Presented below is an overall analysis of the General Fund as compared to the 2005-06 fiscal year.

CHANGES IN GENERAL FUND ACTIVITY
For Fiscal Years 2006-07 and 2005-06
($ in thousands)

Categories	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	$ 2,633,223	$ 2,521,498	$ 111,725	4.4%
Other Financing Sources	156,578	133,467	23,111	17.3%
Beginning Fund Balance, as Restated	227,956	222,067	5,889	2.7%
Total	**$ 3,017,757**	**$ 2,877,032**	**$ 140,725**	**4.9%**
Expenditures	$ 2,880,176	$ 2,679,988	$ 200,188	7.5%
Other Financing Uses	200	2,021	(1,821)	-90.1%
Ending Fund Balance	137,381	195,023	(57,642)	-29.6%
Total	**$ 3,017,757**	**$ 2,877,032**	**$ 140,725**	**4.9%**

The General Fund is the chief operating fund of the District. Revenues increased by $111.7 million or 4.4 percent. This increase is mainly due to higher property tax revenues. Expenditures increased by $200.2 million or 7.5 percent. Payroll costs and fringe benefits represent the majority of the increase.

GENERAL FUND
Percent of Increase/Decrease
For Fiscal Years 2006-07 and 2005-06



Revenues by Source

Revenues - Overall revenues increased by $111.7 million or 4.4 percent as follows:

REVENUES BY SOURCE
For Fiscal Years 2006-07 and 2005-06
($ in thousands)

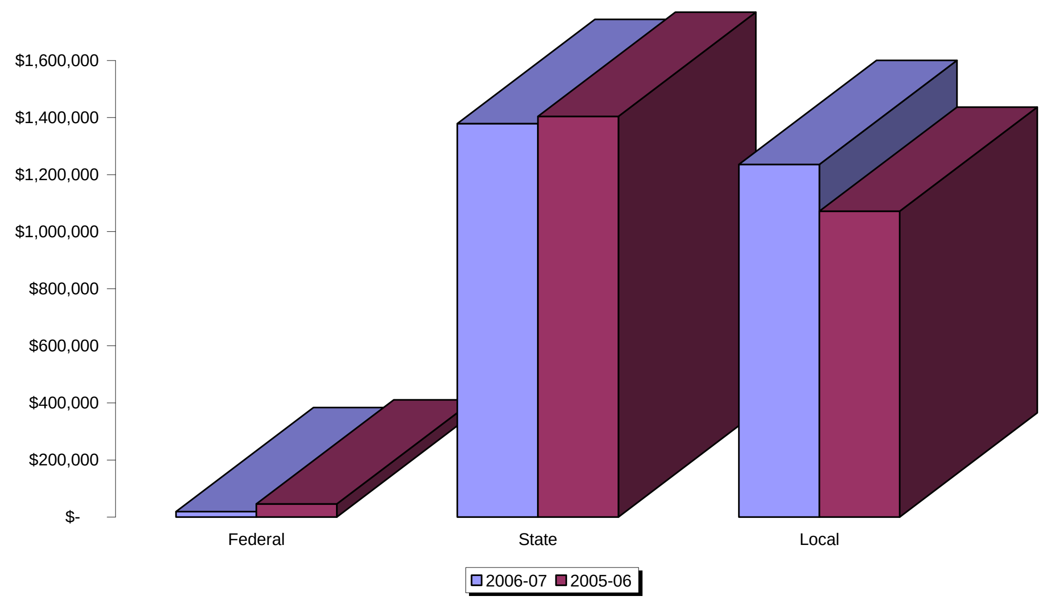
Sources	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Federal	$ 18,496	$ 45,501	$ (27,005)	-59.4%
State	1,378,960	1,404,334	(25,374)	-1.8%
Local	1,235,767	1,071,663	164,104	15.3%
Total	$ 2,633,223	$ 2,521,498	$ 111,725	4.4%

Federal sources decreased by $27 million or 59.4 percent, primarily due to a reduction in the amount of hurricane relief funds received.

State sources decreased by $25.4 million or 1.8 percent. Funding by the Florida Education Finance Program (FEFP) decreased by $106.3 million, including a $13.9 million refund of funds for the Merit Award Program (MAP). This decrease was partially offset by a $69.8 million increase in the Class Size Reduction Operating Funds, $6.2 million in additional funding for the Voluntary Pre-K Program, and increases in other categorical programs.

Local Sources increased by $164.1 million or 15.3 percent. The major increase resulted from an increase in property tax revenue of $151.1 million, an increase in interest on investments of $6.8 million, and smaller increases in other various local sources.

REVENUES BY SOURCE
For Fiscal Years 2006-07 and 2005-06
($ in thousands)



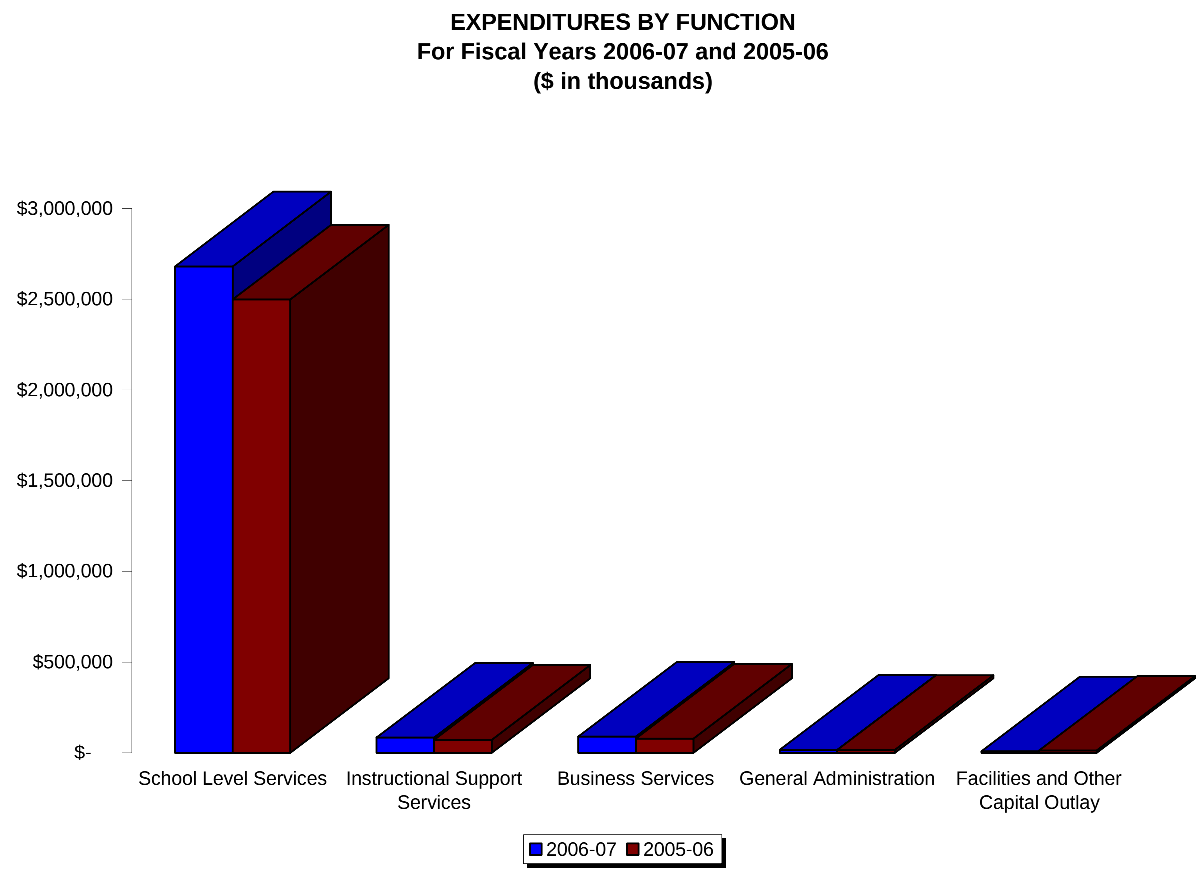
Expenditures by Function
Expenditures - Overall expenditures increased by $200.2 million or 7.5 percent as follows:

EXPENDITURES BY FUNCTION
For Fiscal Years 2006-07 and 2005-06
($ in thousands)

Functions	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
School Level Services	$ 2,680,856	$ 2,499,102	$ 181,754	7.3%
Instructional Support Services	83,960	72,348	11,612	16.1%
Business Services	89,018	78,557	10,461	13.3%
General Administration	17,333	17,027	306	1.8%
Facilities and Other Capital Outlay	9,009	12,954	(3,945)	-30.5%
Total	$ 2,880,176	$ 2,679,988	$ 200,188	7.5%

Salaries and Fringe Benefits represent the most significant increases specifically as they relate to school level expenditures. Overall salaries and fringe benefits increased by $164.6 million or 7.5 percent mainly as a result of hiring additional teachers for the implementation of the Class Size Reduction Constitutional Amendment and collective bargaining agreements.

In addition to the payroll costs, the District experienced increases in fuel and energy costs of $12.1 million, as well as increases in other expenditures.



SECTION 1011.14 F.S. LOANS FUND

Pursuant to a resolution adopted by the School Board on February 28, 2007, the District issued Revenue Anticipation Notes, Series 2007A, in the form of a line of credit not to exceed $220 million. As of June 30, 2007, only $48.8 million was outstanding. Proceeds from the Notes will be used as needed to pay or reimburse the capital project funds or the General Fund for the cost of design, acquisition, construction, and equipping of one or more of the educational facilities listed in the 2006-07 fiscal year Five Year Facilities Work Program. The Notes will be payable at maturity on January 31, 2008.

The $58.9 million fund balance deficit was primarily the result of recognizing the proceeds from the Notes as a short-term liability, rather than other financing sources, pursuant to generally accepted accounting principles. In addition, of this amount, $10 million is due to the accrual of expenditures in excess of available proceeds from the line of credit. The deficit will be eliminated during the 2007-08 fiscal year using proceeds from Certificates of Participation or other capital revenue sources.

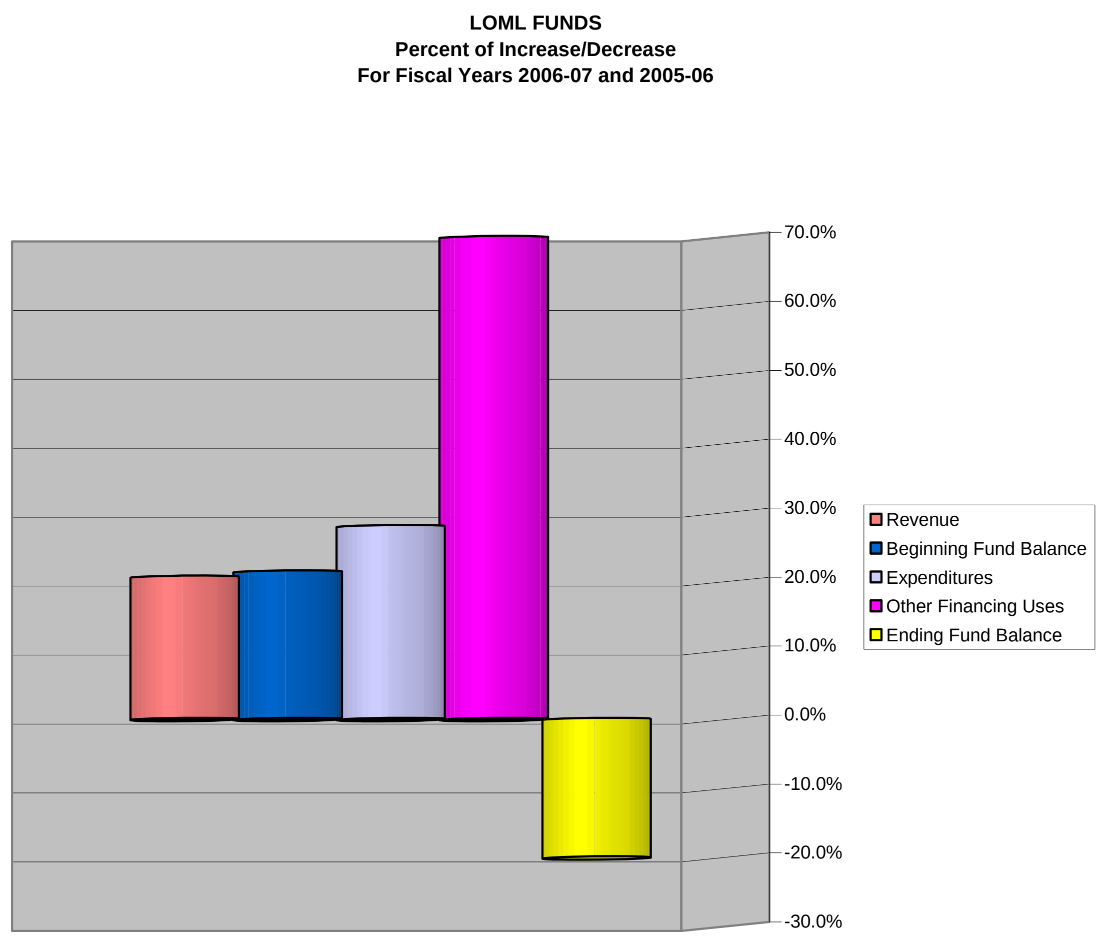
CAPITAL IMPROVEMENT-LOCAL OPTIONAL MILLAGE LEVY (LOML) FUNDS

Capital Improvement-Local Optional Millage Levy (LOML) funds are the primary source of revenue in the capital budget. The two-mill levy is authorized by Section 1011.71, Florida Statutes, and allows school districts to levy up to two-mills for capital outlay purposes.

Presented below is an overall analysis of the LOML funds activity as compared to the 2005-06 fiscal year.

CHANGES IN LOML FUNDS ACTIVITY
For Fiscal Years 2006-07 and 2005-06
($ in thousands)

Categories	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	$ 413,524	$ 342,810	$ 70,714	20.6%
Beginning Fund Balance	239,917	197,636	42,281	21.4%
Total	**$ 653,441**	**$ 540,446**	**$ 112,995**	**20.9%**
Expenditures	$ 149,278	$ 116,646	$ 32,632	28.0%
Other Financing Uses	312,405	183,882	128,523	69.9%
Ending Fund Balance	191,758	239,918	(48,160)	-20.1%
Total	**$ 653,441**	**$ 540,446**	**$ 112,995**	**20.9%**



CERTIFICATES OF PARTICIPATION (COPs) FUNDS

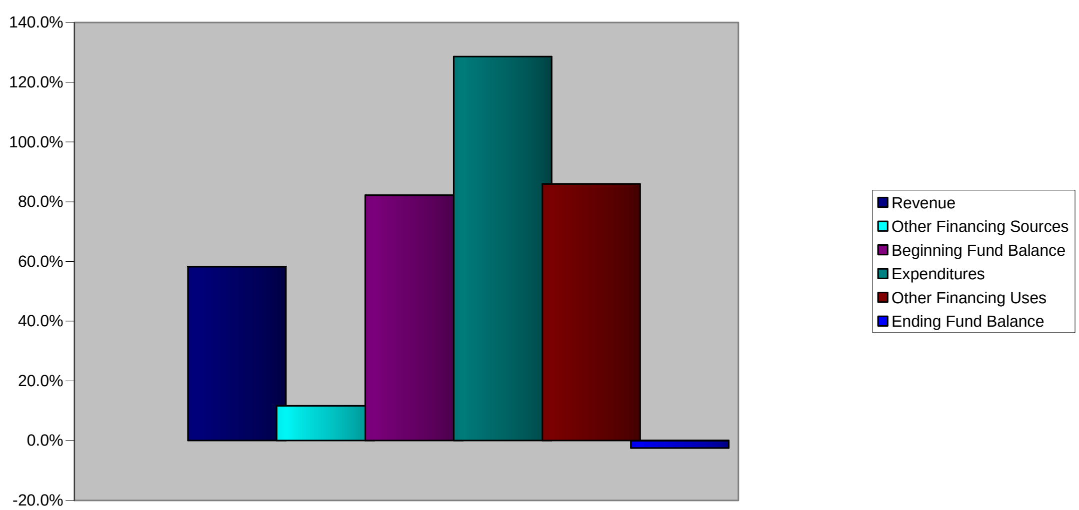
Certificates of Participation (COPs) are a funding mechanism that provides funds for the construction of new facilities or for the purchase of vehicles, furniture, and fixtures.

Presented below is an overall analysis of the COPs Funds as compared to the 2005-06 fiscal year.

CHANGES IN CERTIFICATES OF PARTICIPATION (COPs) FUNDS ACTIVITY
For Fiscal Years 2006-07 and 2005-06
($ in thousands)

Categories	2006-07	2005-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	$ 22,876	$ 14,455	$ 8,421	58.3%
Other Financing Sources	535,701	479,643	56,058	11.7%
Beginning Fund Balance	535,210	293,757	241,453	82.2%
Total	**$ 1,093,787**	**$ 787,855**	**$ 305,932**	**38.8%**
Expenditures	$ 548,145	$ 239,811	$ 308,334	128.6%
Other Financing Uses	23,859	12,834	11,025	85.9%
Ending Fund Balance	521,783	535,210	(13,427)	-2.5%
Total	**$ 1,093,787**	**$ 787,855**	**$ 305,932**	**38.8%**

CERTIFICATES OF PARTICIPATION (COPs)
Percent of Increase/Decrease
For Fiscal Years 2006-07 and 2005-06



BUDGETARY HIGHLIGHTS

Most District operations are funded in the General Fund. Approximately 85 percent of total General Fund revenues were distributed to the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute State funds and determine the amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature. The purpose of the formulas is to substantially equalize educational funding among the sixty-seven school districts in Florida, irrespective of differences in wealth among the districts.

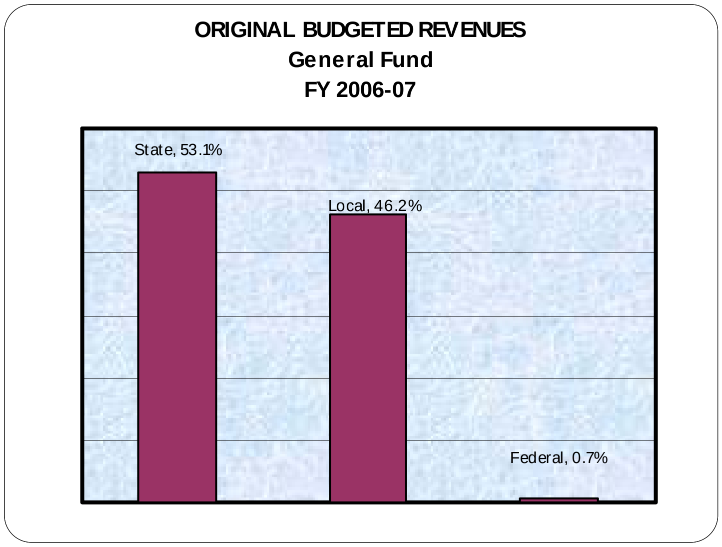
Each school district retains its local property taxes, which is reported as local revenue. The required local effort portion, which is approximately 88 percent of the property taxes recorded in the General Fund, plus the State funds distributed through FEFP equals the educational funding determined by the State FEFP formulas. The funds distributed through FEFP are reported as State revenue.

Total General Fund revenues during the 2006-07 fiscal year were $38.1 million less than originally budgeted. Federal funds were $0.3 million lower than anticipated due to an increase in Medicaid offset by a decrease in Community Schools reimbursement. Local revenues were $2.2 million higher than initially budgeted. However, State funds were $40.1 million less than originally budgeted primarily due to enrollment being lower than projected in the original budget (-$18.2 million), State deductions for McKay Scholarships (-$27 million), prior year FEFP adjustment (+$15 million), and Discretionary Lottery Funds (-$3.1 million). It should be noted that the revenue reduction for McKay Scholarships was offset by appropriations of approximately $26 million in the original budget.

Other financing sources/(uses) in the amount of $7.5 million, including proceeds from the sale of capital assets, were not anticipated in the adopted budget.

Payroll costs (salaries and employee benefits) were $58 million more than the original budget, primarily due to school based decisions (+$45.9 million) to increase hourly, overtime, and temporary instructors. Since the District follows a policy of reappropriating school discretionary funds (mostly non-salary items), which are unspent at year-end, it is common for schools to carryover unexpended balances from year to year.

As of June 30, 2007, of the $137.4 million ending fund balance, approximately $96.8 million of the budget was unexpended, but will be rebudgeted for the 2007-08 fiscal year. Of this amount, $19.4 million was unexpended categorical funds which must be rebudgeted; $34.1 million represented purchase orders and contracts outstanding; and $43.3 million represented purchase requisitions in process and unexpended school discretionary funds which are rebudgeted by policy.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At June 30, 2007, the District had $3,933,108 (in thousands) invested in different categories of capital assets, net of accumulated depreciation, as shown in the table below.

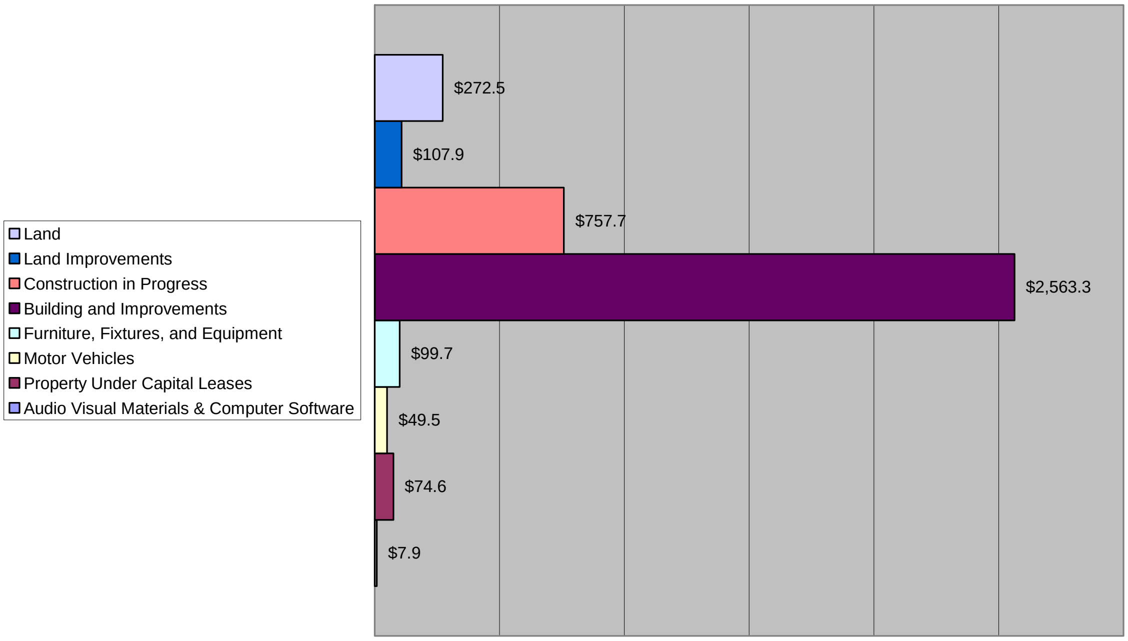
CAPITAL ASSET ACTIVITY
At June 30, 2007 and 2006
($ in thousands)

Categories	6-30-07	6-30-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Land	$ 272,547	$ 235,175	$ 37,372	15.9%
Land Improvements	107,876	57,410	50,466	87.9%
Construction in Progress	757,694	398,246	359,448	90.3%
Building and Improvements	2,563,302	2,245,582	317,720	14.1%
Furniture, Fixtures, and Equipment	99,699	83,435	16,264	19.5%
Motor Vehicles	49,507	59,894	(10,387)	-17.3%
Property Under Capital Leases	74,582	27,095	47,487	175.3%
Audio Visual Materials & Computer Software	7,901	5,488	2,413	44.0%
Total	**$ 3,933,108**	**$ 3,112,325**	**$ 820,783**	**26.4%**

The District continues to pursue innovative financing programs to keep pace with the accelerated construction program required to alleviate overcrowding, meet the Class Size Reduction constitutional amendment, and renovate aging schools.

Detailed information reflecting the District's capital asset balances and activity for the fiscal year ended June 30, 2007, is provided in Note 4 to the Financial Statements.

CAPITAL ASSETS
As of June 30, 2007
($ in millions)



Debt Administration - The following table represents the changes in the District's outstanding long-term liabilities at fiscal year end.

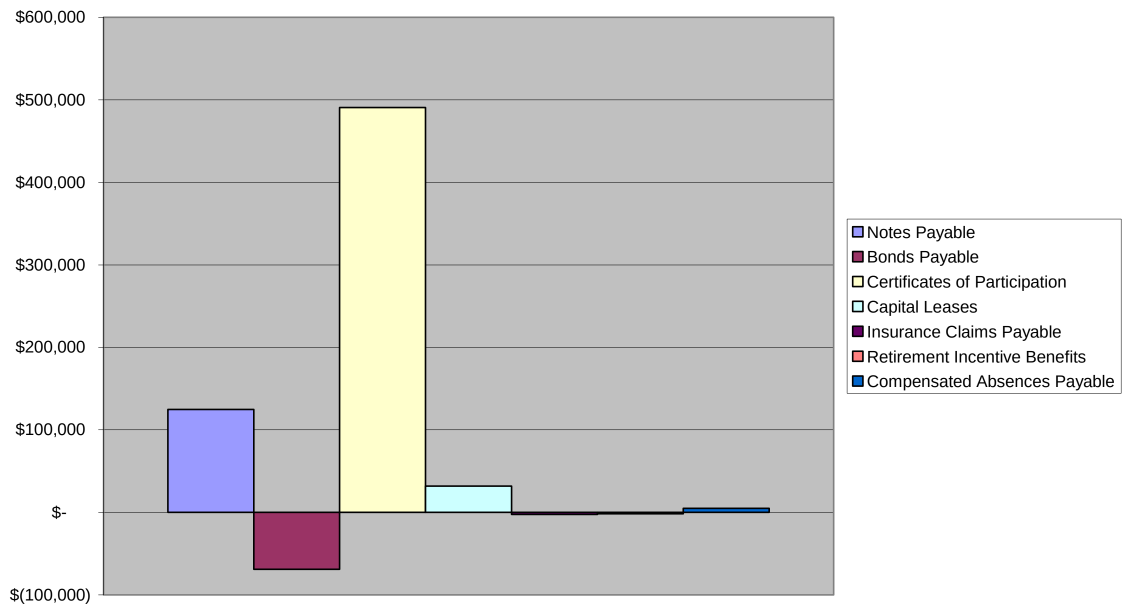
CHANGES IN LONG-TERM LIABILITIES
At June 30, 2007 and 2006
($ in thousands)

Categories	6-30-07	6-30-06	Difference Increase/ (Decrease)	% Increase/ (Decrease)
Notes Payable	$ 124,763	$	$ 124,763	100.0%
Bonds Payable	553,583	622,374	(68,791)	-11.1%
Certificates of Participation Payable by the Foundation	2,068,898	1,578,197	490,701	31.1%
Capital Leases	97,153	65,336	31,817	48.7%
Insurance Claims Payable	127,238	126,737	501	0.4%
Retirement Incentive Benefits	5,260	7,039	(1,779)	-25.3%
Compensated Absences Payable	260,457	250,497	9,960	4.0%
Total	**$ 3,237,352**	**$ 2,650,180**	**$ 587,172**	**22.2%**

The most significant changes are reflected with an increase in Notes Payable of $124.8 million of which $124 million relates to an agreement between the School Board and the City of North Miami together with certain financial institutions for the construction, financing, and acquisition of educational facilities.

Additionally, during the 2006-07 fiscal year the District issued $508.6 million in Certificates of Participation and $2.6 million in Qualified Zone Academy Bonds (QZAB's) for the construction of new capital projects. The District also refunded $10.6 million in Certificates of Participation. General Obligation Bonds, Series 1996 and 1997, for $79.7 million and $86.8 million, respectively, were remarketed.

CHANGES IN LONG-TERM LIABILITIES
Difference Increase/Decrease
For Fiscal Years 2006-07 and 2005-06
($ in thousands)



ECONOMIC FACTORS

The District continues to face many challenges. Relatively high costs of housing, property taxes, and insurance have contributed to a cost of living that is impacting the District's ability to hire and retain teachers and is contributing to the continuing decline in the number of students attending District schools. The decline in student enrollment and the change four years ago in how the District Cost Differential (DCD) is calculated in the State's Florida Education Finance Program (FEFP) funding formula has resulted in discretionary revenue increases that are inadequate to offer teachers competitive salary increases and to hire the number of additional teachers necessary to reduce class sizes.

Since the 2002-03 fiscal year, FEFP funding per weighted student in grades K-12 has increased only 15.5 percent Statewide and 12.4 percent in Miami-Dade County. Furthermore, in a recent special session the Florida Legislature has reduced the State budget due to anticipated reduction in State revenues. The estimated impact on the District is a reduction of approximately $41 million, including pre-kindergarten and workforce development.

CONTACTING MANAGEMENT

The District's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Additional information can be requested at:

The School Board of Miami-Dade County
School Board Administration Building
Office of the Controller
1450 N. E. 2nd Avenue
Room 664
Miami, Florida 33132

EXHIBIT - A
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Equity in Pooled Cash and Investments	$ 1,195,397,091.65	$
Cash and Cash Equivalents	170,613,935.34	28,181,895.00
Cash and Investments with Fiscal Agents	2,769,084.95	
Taxes Receivable, Net	98,104,284.64	
Accounts and Interest Receivable	12,694,907.64	638,830.00
Due from Other Agencies	113,947,322.07	3,919,477.00
Inventories	22,350,948.32	
Other Assets	26,598,121.12	1,893,169.00
Total Current Assets	1,642,475,695.73	34,633,371.00
Noncurrent Assets:		
Deferred Debt Issuance Costs	15,028,557.25	
Capital Assets:		
Depreciable Capital Assets, Net	2,794,991,152.93	1,198,000.00
Nondepreciable Capital Assets	1,138,117,366.97	16,593,516.00
Total Noncurrent Assets	3,948,137,077.15	17,791,516.00
TOTAL ASSETS	$ 5,590,612,772.88	$ 52,424,887.00
LIABILITIES		
Current Liabilities:		
Accounts and Contracts Payable and Accrued Expenses	$ 196,091,314.01	$ 4,666,486.00
Accrued Payroll Payable	140,576,340.82	2,514,480.00
Due to Other Agencies	20,931,014.22	1,855,460.00
Unearned Revenues	33,095,248.48	40,772.00
Notes Payable	48,845,689.00	
Matured Interest Payable	3,736,783.44	
Accrued Interest Payable	36,601,786.50	
Estimated Liability for Arbitrage Rebate	8,572,097.20	
Retainage Payable on Contracts	72,221,978.28	
Long-Term Liabilities - Current Portion:		
Notes Payable	248,500.00	105,747.00
Obligations Under Capital Leases	10,354,538.69	184,095.00
Bonds Payable	73,817,421.42	
Certificates of Participation Payable	54,951,758.03	
Estimated Insurance Claims Payable	35,904,562.71	
Compensated Absences Payable	13,882,438.50	62,158.00
Retirement Incentive Benefits Payable	350,000.00	
Total Current Liabilities:	750,181,471.30	9,429,198.00
Noncurrent Liabilities:		
Accrued Interest Payable		10,504.00
Unearned Revenues	280,148.35	
Long-Term Liabilities - Noncurrent Portion:		
Notes Payable	124,514,750.00	4,782,193.00
Obligations Under Capital Leases	86,798,522.19	125,048.00
Bonds Payable	479,765,813.49	
Certificates of Participation Payable	2,013,945,870.83	
Estimated Insurance Claims Payable	91,333,000.00	
Compensated Absences Payable	246,574,356.20	4,255.00
Retirement Incentive Benefits Payable	4,909,917.72	
Total Noncurrent Liabilities	3,048,122,378.78	4,922,000.00
Total Liabilities	3,798,303,850.08	14,351,198.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,712,982,575.84	12,647,676.00
Restricted for:		
Categorical Carryover Programs	19,380,699.00	83,680.00
Debt Service	44,882,642.69	
Capital Projects	250,134,234.28	444,665.00
Special Revenue	835,112.02	
Other Purposes	27,637,596.04	1,049,675.00
Unrestricted	(263,543,937.07)	23,847,993.00
Total Net Assets	1,792,308,922.80	38,073,689.00
TOTAL LIABILITIES AND NET ASSETS	$ 5,590,612,772.88	$ 52,424,887.00

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

EXHIBIT - B
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 2,001,198,907.55	$ 28,883,960.06	$	$
Pupil Personnel Services	160,591,826.57			
Instructional Media Services	49,256,573.35			
Instruction and Curriculum Development Services	76,065,063.63			
Instructional Staff Training Services	40,182,241.99			
Instruction Related Technology	34,996,870.45			
Board of Education	6,607,633.30			
General Administration	17,674,373.45			
School Administration	178,424,472.72			
Facilities Acquisition and Construction	131,362,117.71			53,491,163.13
Fiscal Services	20,010,501.86			
Food Services	128,965,403.66	40,284,909.12	96,785,128.90	
Central Services	67,987,753.71			
Pupil Transportation Services	92,201,457.57	92,303.65	29,843,781.00	
Operation of Plant	303,279,145.45			
Maintenance of Plant	120,666,875.38		181,485.28	41,442,604.00
Administrative Technology Services	1,454,780.51			
Community Services	42,128,180.10			
Interest on Long-Term Debt	107,958,779.74			12,560,923.23
Unallocated Depreciation Expense	86,541,088.35			
Total Primary Government	$ 3,667,554,047.05	$ 69,261,172.83	$ 126,810,395.18	$ 107,494,690.36
Component Units				
Charter Schools	$ 117,087,641.00	$ 5,728,211.00	$ 6,286,195.00	$ 12,137,919.00

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Capital Projects
Grants and Contributions Not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2006
Adjustments to Restate Beginning Net Assets

Net Assets - July 1, 2006, Restated

Net Assets - June 30, 2007

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental Activities	Units
$ (1,972,314,947.49)	$
(160,591,826.57)	
(49,256,573.35)	
(76,065,063.63)	
(40,182,241.99)	
(34,996,870.45)	
(6,607,633.30)	
(17,674,373.45)	
(178,424,472.72)	
(77,870,954.58)	
(20,010,501.86)	
8,104,634.36	
(67,987,753.71)	
(62,265,372.92)	
(303,279,145.45)	
(79,042,786.10)	
(1,454,780.51)	
(42,128,180.10)	
(95,397,856.51)	
(86,541,088.35)	
(3,363,987,788.68)	
	(92,935,316.00)
1,156,498,914.74	
79,251,042.24	
402,456,323.42	
1,695,305,979.38	101,548,097.00
71,776,407.90	1,260,665.00
21,411,930.24	2,843,416.00
3,426,700,597.92	105,652,178.00
62,712,809.24	12,716,862.00
1,720,408,557.97	25,539,508.00
9,187,555.59	(182,681.00)
1,729,596,113.56	25,356,827.00
$ 1,792,308,922.80	$ 38,073,689.00

EXHIBIT - C
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Capital Projects - Section 1011.14 F.S. Loans Fund	Capital Projects - Capital Improvement-Local Optional Millage Levy Funds
ASSETS			
Equity in Pooled Cash and Investments	$ 146,813,217.08	$ 12,813,059.83	$ 219,396,061.89
Cash and Cash Equivalents	20,298,386.59		
Cash and Investments with Fiscal Agent			
Taxes Receivable, Net	62,917,908.52		21,969,227.57
Accounts and Interest Receivable	2,805,054.80		1,038,975.59
Due from Other Agencies	30,677,481.90		
Due from Other Funds	99,940,255.23	532,525.49	998,384.61
Inventories	18,461,948.86		
Other Assets			26,598,121.12
TOTAL ASSETS	$ 381,914,252.98	$ 13,345,585.32	$ 270,000,770.78
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable and Accrued Expenditures	$ 83,937,543.01	$ 15,199,527.12	$ 12,043,066.99
Accrued Payroll and Compensated Absences	140,508,512.24		
Due to Other Funds	208,105.90	260,022.50	56,411,594.18
Due to Other Agencies	16,888,014.95		
Unearned Revenues			
Notes Payable		48,845,689.00	
Matured Interest Payable		375,730.78	
Estimated Liability for Arbitrage Rebate			
Estimated Insurance Claims Payable	2,971,562.71		
Retainage Payable on Contracts	18,717.49	7,566,002.64	9,788,341.11
Total Liabilities	244,532,456.30	72,246,972.04	78,243,002.28
Fund Balances:			
Reserved for Encumbrances	34,119,732.00	72,084,104.18	109,427,629.89
Reserved for Other Assets			26,598,121.12
Reserved for Debt Service			
Reserved for Capital Projects			
Reserved for Categorical Carry-over Programs	19,380,699.00		
Unreserved:			
Designated for Estimated Rebudgets and Obligations	43,266,916.00		
Designated for Capital Projects			51,084,707.49
Undesignated, Reported in:			
General Fund	40,614,449.68		
Special Revenue Funds			
Capital Projects Funds		(130,985,490.90)	4,647,310.00
Total Fund Balances	137,381,796.68	(58,901,386.72)	191,757,768.50
TOTAL LIABILITIES AND FUND BALANCES	$ 381,914,252.98	$ 13,345,585.32	$ 270,000,770.78

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

EXHIBIT - C

Capital Projects - Certificates of Participation Funds	Other Governmental Funds	Total Governmental Funds
$ 630,536,559.55	$ 185,838,193.30	$ 1,195,397,091.65
453,016.85	149,862,531.90	170,613,935.34
	2,769,084.95	2,769,084.95
	4,547,630.09	89,434,766.18
2,405,836.42	6,445,040.83	12,694,907.64
	83,269,840.17	113,947,322.07
587,096.54	781,469.73	102,839,731.60
	3,888,999.46	22,350,948.32
		26,598,121.12
$ 633,982,509.36	$ 437,402,790.43	$ 1,736,645,908.87
$ 52,068,916.94	$ 32,842,259.95	$ 196,091,314.01
	3,467,517.08	143,976,029.32
12,987,035.19	32,972,973.83	102,839,731.60
	4,042,999.27	20,931,014.22
	32,923,639.12	32,923,639.12
		48,845,689.00
	3,361,052.66	3,736,783.44
4,808,489.56	3,763,607.64	8,572,097.20
		2,971,562.71
42,334,885.88	12,514,031.16	72,221,978.28
112,199,327.57	125,888,080.71	633,109,838.90
277,325,752.49	162,989,110.86	655,946,329.42
	2,753,994.64	29,352,115.76
	82,537,719.44	82,537,719.44
244,457,429.30		244,457,429.30
		19,380,699.00
		43,266,916.00
	87,682,000.00	138,766,707.49
		40,614,449.68
	(2,373,745.72)	(2,373,745.72)
	(22,074,369.50)	(148,412,550.40)
521,783,181.79	311,514,709.72	1,103,536,069.97
$ 633,982,509.36	$ 437,402,790.43	$ 1,736,645,908.87

EXHIBIT - D
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances - Governmental Funds		$ 1,103,536,069.97
Amounts reported for governmental activities in the statement of net assets are different as a result of:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Capital Assets	$ 5,055,223,255.51	
Accumulated Depreciation	(1,122,114,735.61)	3,933,108,519.90
Property taxes receivable will be collected within one year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded as an asset in the governmental funds.		8,669,518.46
Deferred charges for debt issuance costs are not financial resources and therefore are not reported as assets in the governmental funds.		15,028,557.25
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 the following:		
Bonds Payable	$ (553,583,234.91)	
Capital Leases	(97,153,060.88)	
Compensated Absences	(257,057,106.20)	
Retirement Incentive Benefits	(5,259,917.72)	
Notes Payable	(124,763,250.00)	
Certificates of Participation	(2,068,897,628.86)	
Estimated Insurance Claims Payable	(124,266,000.00)	(3,230,980,198.57)
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(36,601,786.50)
Unearned revenue on Forward Purchase Agreement is treated as proceeds in the governmental funds, but is deferred to future periods in the Statement of Net Assets (amortized over the life of the debt).		(451,757.71)
Total Net Assets - Governmental Activities		$ 1,792,308,922.80

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

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EXHIBIT - E
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	Capital Projects - Section 1011.14 F.S. Loans Fund	Capital Projects - Capital Improvement-Local Optional Millage Levy Funds
Revenues			
Intergovernmental:			
Federal Direct	$ 1,994,899.30	$	$
Federal Through State	16,500,765.47		
State	1,378,960,220.94		
Local	1,235,767,317.64	809.43	413,523,855.26
Total Revenues	2,633,223,203.35	809.43	413,523,855.26
Expenditures			
Current - Education:			
Instruction	1,773,594,721.17		
Pupil Personnel Services	133,883,304.63		
Instructional Media Services	46,031,000.42		
Instruction and Curriculum Development Services	32,136,007.04		
Instructional Staff Training Services	17,253,994.28		
Instruction Related Technology	34,570,038.71		
Board of Education	6,579,208.04		
General Administration	10,753,723.14		
School Administration	177,207,383.52		
Facilities Acquisition and Construction		32,926,359.78	89,007,170.78
Fiscal Services	19,732,347.70		
Food Services			
Central Services	66,505,026.46		
Pupil Transportation Services	89,990,070.01		
Operation of Plant	302,242,508.28		
Maintenance of Plant	118,115,417.32		
Administrative Technology Services	1,342,265.91		
Community Services	39,791,828.50		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	78,418.13	94,539,653.04	60,160,378.02
Other Capital Outlay	8,930,022.04		
Debt Service:			
Principal	1,071,299.33		
Interest and Fiscal Charges	367,398.06	903,344.64	110,500.00
Total Expenditures	2,880,175,982.69	128,369,357.46	149,278,048.80
Excess (Deficiency) of Revenues Over Expenditures	(246,952,779.34)	(128,368,548.03)	264,245,806.46
Other Financing Sources (Uses)			
Transfers In	153,857,306.89	100,903,344.64	
Transfers Out	(200,000.00)		(312,405,457.49)
Issuance of Debt			
Premium on Issuance of Debt			
Payments to Refunded Bond Escrow Agent			
Proceeds from Sale of Capital Assets	1,230,669.34		
Proceeds from Loans/Leases	1,481,334.49		
Insurance Loss Recoveries	8,824.94		
Total Other Financing Sources (Uses)	156,378,135.66	100,903,344.64	(312,405,457.49)
Net Change in Fund Balances	(90,574,643.68)	(27,465,203.39)	(48,159,651.03)
Fund Balances, July 1, 2006	195,023,440.36	(31,436,183.33)	239,917,419.53
Adjustments to Restate Beginning Fund Balances	32,933,000.00		
Fund Balances, July 1, 2006, Restated	227,956,440.36	(31,436,183.33)	239,917,419.53
Fund Balances, June 30, 2007	$ 137,381,796.68	$ (58,901,386.72)	$ 191,757,768.50

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

EXHIBIT - E

Capital Projects - Certificates of Participation Funds	Other Governmental Funds	Total Governmental Funds
$	$ 17,194,161.46	$ 19,189,060.76
	404,832,463.55	421,333,229.02
	84,887,626.96	1,463,847,847.90
22,875,667.12	165,925,302.45	1,838,092,951.90
22,875,667.12	672,839,554.42	3,742,463,089.58
	215,278,243.15	1,988,872,964.32
	26,321,367.84	160,204,672.47
	2,510,101.18	48,541,101.60
	42,401,949.28	74,537,956.32
	22,233,865.15	39,487,859.43
	308,360.06	34,878,398.77
		6,579,208.04
	6,853,446.52	17,607,169.66
	221,109.16	177,428,492.68
99,305,546.47	52,221,752.74	273,460,829.77
	208,115.14	19,940,462.84
	136,856,153.91	136,856,153.91
	820,237.16	67,325,263.62
	1,757,895.82	91,747,965.83
	196,692.09	302,439,200.37
		118,115,417.32
	110,272.94	1,452,538.85
	2,145,505.37	41,937,333.87
444,253,666.00	169,818,449.28	768,850,564.47
	9,916,730.58	18,846,752.62
	281,362,562.99	282,433,862.32
4,585,445.75	111,489,378.81	117,456,067.26
548,144,658.22	1,083,032,189.17	4,789,000,236.34
(525,268,991.10)	(410,192,634.75)	(1,046,537,146.76)
	295,161,471.49	549,922,123.02
(23,859,193.92)	(213,457,471.61)	(549,922,123.02)
511,204,392.00	177,005,000.00	688,209,392.00
24,496,993.75	9,325,833.40	33,822,827.15
	(11,300,292.09)	(11,300,292.09)
		1,230,669.34
	167,527,323.86	169,008,658.35
	30,279.78	39,104.72
511,842,191.83	424,292,144.83	881,010,359.47
(13,426,799.27)	14,099,510.08	(165,526,787.29)
535,209,981.06	295,457,644.05	1,234,172,301.67
	1,957,555.59	34,890,555.59
535,209,981.06	297,415,199.64	1,269,062,857.26
$ 521,783,181.79	$ 311,514,709.72	$ 1,103,536,069.97

EXHIBIT - F
MIAMI-DADE 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, 2007

Net Change in Fund Balances - Governmental Funds	$ (165,526,787.29)
Amounts reported for governmental activities in the statement of activities are different because:	
Property taxes that are not collected within 60 days are not considered available and, therefore, are not recorded as revenues in the governmental funds. However, for the government-wide statements property taxes are recorded when there is an enforceable lien. Additionally, the governmental funds reflect revenues that correspond to the prior year.	(865,133.94)
The undepreciated cost of capital assets disposed of during the period is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of disposed capital assets.	(12,678,266.11)
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	833,461,627.01
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.	(886,600,921.07)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave earned in excess of the amount paid in the current period.	(9,598,632.67)
The net change in the retirement incentive program liability is reported in the government-wide statements, but not in the governmental funds statements.	1,783,480.40
The net change in estimated long-term claims payable, including adjustments, is reported in the government-wide statements but not in the governmental funds statements.	(494,000.00)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	293,238,862.32
Governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.	7,808,899.25
Issuance costs related to the sale of Certificates of Participation and General Obligation Bonds are reported as expenditures in the governmental funds; however, these costs are deferred and amortized over the life of the bonds in the government-wide statements. In the statement of activities, amortization is recorded as additional interest expense for the period.	4,378,008.05
In the governmental funds, interest on long-term debt is recorded as an expenditure when due and payable. In the statement of activities, interest is recorded as it accrues.	(2,194,326.71)
Change in Net Assets - Governmental Activities	$ 62,712,809.24

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

EXHIBIT - G
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2007

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 8,175,266.90	$ 5,972,273.79
Investments		
Bonds, Commercial Paper, and Obligations of U.S. Government Agencies	8,482,655.05	14,846,025.24
Equity Mutual Funds	18,421,546.72	
State Board of Administration - LGIP		2,422,000.00
Interest Receivable		155,582.95
Due from Other Agencies		96,677.53
TOTAL ASSETS	$ 35,079,468.67	$ 23,492,559.51
LIABILITIES		
Accounts Payable	$	$ 62,508.51
Due to Other Agencies		3,667,890.91
Due to Student Organizations		19,762,160.09
Total Liabilities		$ 23,492,559.51
NET ASSETS		
Assets Held in Trust for Pension Benefits	35,079,468.67	
TOTAL LIABILITIES AND NET ASSETS	$ 35,079,468.67	

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

EXHIBIT - H
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer Contributions	$ 2,976,919.00
Investment Earnings:	
Net Increase in Fair Value of Investments	2,749,594.91
Interest on Investments	1,920,293.66
Total Investment Income	4,669,888.57
Less Investment Expense	6,470.04
Net Investment Income	4,663,418.53
Total Additions	7,640,337.53
DEDUCTIONS	
Retirement Benefits	4,028,702.64
Trustee Services	12,755.50
Total Deductions	4,041,458.14
Net Increase	3,598,879.39
Net Assets Held in Trust for Pension Benefits, July 1, 2006	31,480,589.28
Net Assets Held in Trust for Pension Benefits, June 30, 2007	$ 35,079,468.67

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

EXHIBIT – I
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ Reporting Entity

The School Board of Miami-Dade County, Florida (the "School Board", "Board", or the "District") is composed of nine members elected from single-member districts within the legal boundary of Miami-Dade, Florida (the "County"). The appointed Superintendent of Schools is the executive officer of the Board. The School Board is part of the State system of public education under the general direction of the State Board of Education and is financially dependent on State support. However, the Board is considered a primary government for financial reporting purposes because it is directly responsible for the operation and control of District schools within the framework of applicable State law and State Board of Education rules.

The general operating authority of the School Board and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Pursuant to Section 1010.01, Florida Statutes, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education.

The accompanying financial statements include those of the District (the primary government) and those of its component units. Component units are legally separate organizations which should be included in the District's financial statements because of the nature and significance of their relationship with the primary government.

The decision to include a potential component unit in the District's reporting entity is based on the criteria stated in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As a result of the application of these criteria, the financial activities of the following component units meet the requirements for inclusion in the District's reporting entity as either blended or discretely presented component units.

➢ Blended Component Units

The Miami-Dade County School Board Foundation, Inc. (the "Foundation"), a Florida not-for-profit corporation, was created solely to facilitate financing for the acquisition and construction of District school facilities and related costs. The members of the School Board serve as the Board of the Foundation; therefore, the School Board is considered financially accountable for the Foundation. The financial activities of the Foundation have been blended (reported as if it were part of the District) with those of the District.

➢ Discretely Presented Component Units

All charter schools are recognized as public schools within the District, as such, charter schools are funded on the same basis as the District. Additionally, Section 1002.33, Florida Statutes, states that the School Board shall monitor revenues and expenditures of the charter schools. Charter schools are funded from public funds based on membership, and can also be eligible for grants in accordance with the State and Federal guidelines, including food service and capital outlay. Additionally, all students enrolled in charter schools are included in the District's total enrollment. Charter schools can accept private donations and incur debt in the operation of the school for which the charter school is responsible.

A total of fifty-seven charter schools were approved to operate during the 2006-07 fiscal year. All of the charter schools are considered component units of the District or another legal entity. For financial reporting purposes, fifty-one of the charter schools should be included in the financial statements of the District as discretely presented component units because of their fiscal dependency on the District, for a majority of their funding. Complete financial statements of the individual component units can be obtained by contacting the following schools:

School	School Address	Telephone Number
Archimedean Academy	12425 SW 72 Street Miami, Florida 33183	305-279-6572
Archimedean Middle Academy	12425 SW 72 Street Miami, Florida 33183	305-279-6572
Balere Language Academy	10600 Caribbean Boulevard Miami, Florida 33189	305-232-9797
Cooperative Charter School	1743-51 NW 54 Street Miami, Florida 33142	305-693-2541
Coral Reef Montessori Charter School	10853 SW 216 Street Cutler Bay, Florida 33170	305-255-0064
Doctors Charter School of Miami Shores	11301 NW 5th Avenue Miami Shores, Florida 33168	305-318-9578
Doral Academy Charter School	2450 NW 97 Avenue Miami, Florida 33172	305-597-9999
Doral Academy Middle School	2601 NW 112 Avenue Miami, Florida 33172	305-591-0020
Doral Academy High School	11100 NW 27 Street Miami, Florida 33172	305-597-9950
Doral Performing Arts & Entertainment Academy	2601 NW 112th Avenue Miami, Florida 33172	305-591-0020
Downtown Miami Charter School	305 Northwest 3 Avenue Miami, Florida 33128	305-579-2112
Early Beginnings Academy - Civic Center	1411 NW 14 Avenue Miami, Florida 33125	786-295-0401
Early Beginnings Academy - North	985 NW 91 Street Miami, Florida 33125	305-835-9066
Excel Academy Charter School	2990 NW 79 Street Miami, Florida 33147	305-572-1414
Florida International Academy	7630 Biscayne Boulevard Miami, Florida 33138	305-758-6912
International Studies High School	396 Alhambra Circle Coral Gables, Florida 33134	305-442-7449
Keys Gate Charter School	2000 SE 28 Avenue Homestead, Florida 33035	305-230-1616
Lawrence Academy	777 West Palm Drive Florida City, Florida 33034	305-247-4800

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

School	School Address	Telephone Number
Liberty City Charter School	1895 NW 72 Street Miami, Florida 33147	305-751-2700
Life Skills Center Miami-Dade County	3555 NW 7 Street Miami, Florida 33125	305-643-9111
Life Skills Center Opa Locka	3400 NW 135 Street Opa Locka, Florida 33054	305-685-1415
Mater Academy Charter School	7700 NW 98 Street Hialeah Gardens, Florida 33016	305-698-9900
Mater Academy East Charter School	450 SW 4 Street Miami, Florida 33130	305-324-4667
Mater Academy East Middle Charter School	458 SW 4 Street Miami, Florida 33130	305-828-1886
Mater Academy Middle School	7901 NW 103 Street Hialeah Gardens, Florida 33016	305-828-1886
Mater Academy High School	7901 NW 103 Street Hialeah Gardens, Florida 33016	305-828-1886
Mater Academy Lakes High School	9010 NW 178 Lane Hialeah, Florida 33018	305-512-3917
Mater Academy Lakes Middle School	9010 NW 178 Lane Hialeah, Florida 33018	305-512-3917
Mater Academy Gardens	9010 NW 178 Lane Hialeah, Florida 33018	305-512-9775
Mater Academy Gardens Middle School	9010 NW 178 Lane Hialeah, Florida 33018	305-512-9775
Mater Performing Arts & Entertainment Academy	7901 Northwest 103 Street Hialeah Gardens, Florida 33016	305-828-1886
Miami Children's Museum Charter School	980 McArthur Causeway Miami, Florida 33132	305-329-3758
Miami Community Charter School	101 SW Redland Road Florida City, Florida 33034	305-245-2552
Oxford Academy *	10870 SW 113 Place Miami, Florida 33176	305-598-4494
Pinecrest Academy South Campus	15130 SW 80 Street Miami, Florida 33193	305-386-0800
Pinecrest Preparatory Academy	14301 SW 42 Street Miami, Florida 33175	305- 207-1027
Pinecrest Middle Academy	14301 SW 42 Street Miami, Florida 33175	305-207-1027
Renaissance Elementary Charter School (Formerly, Ryder Charter)	8360 NW 33 Street Doral, Florida 33122	305-591-2225

School	School Address	Telephone Number
Renaissance Middle Charter School	8360 NW 33 Street Miami, Florida 33122	305-591-2225
Rosa Parks Charter School/Florida City	713 West Palm Drive Florida City, Florida 33034	305-246-3336
Sandor Wiener School of Opportunity North Campus	Main Campus: 20000 NW 47 Avenue, #7 Opa-Locka, Florida 33055	305-623-9631
Sandor Wiener School of Opportunity South Campus	Main Campus: 11025 SW 84 Street Cottage-5 Miami, Florida 33173	305-623-9631
School for Integrated Academics & Technologies	12350 SW 285 St. Homestead, Florida 33033	305-258-9477
Somerset Dade Elementary Charter School	18491 SW 134 Avenue Miami, Florida 33177	305-969-6074
Somerset Academy Charter Middle School	18491 SW 134 Avenue Miami, Florida 33177	305-969-6074
Somerset Academy Charter High School	11400 SW 232 Street Homestead, Florida 33032	305-257-3737
Spirit City Academy	285 NW 199 Street Miami, Florida 33169	305-614-0451
Sunshine Academy Charter School **		
The Charter School @ Waterstone	855 Waterstone Way Homestead, Florida 33033	305-248-6206
Theodore & Thelma Gibson Charter School	450 SW 4 Street Miami, Florida 33130	305-324-1335
Transitional Learning Center ***		

* Audited financial statements were not available at the time of publication.

** School ceased operations effective June 30, 2007. Audited financial statements are not available.

*** School ceased operations effective June 30, 2007. Audited financial statements are included in the component units columns.

- **Basis of Presentation**

The District's accounting policies conform with accounting principles generally accepted in the United States applicable to state and local governmental units. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Government-wide Statements - The Statement of Net Assets and the Statement of Activities present information about the financial activities of the District as a whole, and its component units, excluding fiduciary activities. Eliminations have been made from the statements to remove the "doubling-up" effect of interfund activity.

The Statement of Activities reports expenses identified by specific functions, offset by program revenues, resulting in a measurement of "net (expense) revenue" for each of the District's functions. Program revenues that are used to offset these expenses include charges for services, such as food service and tuition fees; operating grants, such as the National School Lunch Program, Federal Grants, and other State allocations; and capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues.

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for governmental and fiduciary funds are presented. The emphasis of the fund financial statements is on the major funds which are presented in a separate column with all nonmajor funds aggregated in a single column.

The District reports the following major governmental funds:

- General Fund is the District's primary operating fund and accounts for all financial resources of the District, except those required to be accounted for in another fund.

- Capital Projects – Section 1011.14 F.S. Loans Fund accounts for and reports on proceeds received from the issuance of the revenue anticipation notes, used to pay or reimburse the capital outlay funds for the cost of acquisition, construction, and equipping of modular classrooms.

- Capital Projects – Capital Improvement-Local Optional Millage Levy (LOML) Funds account for and report on funds levied by the School District, as authorized by Capital Improvement Section, 1011.71, Florida Statutes, for capital outlay purposes.

- Capital Projects – Certificates of Participation (COPs) Funds account for and report on funds received from the issuance of certificates of participation, used for the acquisition and construction of schools and ancillary facilities. Also included are the Qualified Zone Academy Bonds used for renovations on existing schools.

The District also reports the following fiduciary funds:

- Agency Fund – Schools' Internal Funds accounts for resources of the schools' internal funds which are used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

- Pension Trust Fund accounts for resources used to finance the District's Supplemental Early Retirement Plan.

➢ Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Revenues from nonexchange transactions are reported according to Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; they include taxes, grants and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual, that is, when they become measurable and available. "Measurable" means the amount of the transaction can be determined; "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Property taxes, interest, and certain General Fund revenues are the significant revenue sources considered susceptible to accrual. The School Board considers property taxes as available if they are collected within 60 days after fiscal year-end. Florida Education Finance Program revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for Federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due; and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

The Pension Trust Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Statement of Fiduciary Net Assets. The Statement of Changes in Fiduciary Net Assets presents increases (revenues) and decreases (expenses) in fund equity (total net assets).

- **New Pronouncements**

In April 2004, the GASB issued Statement No. 43, ("GASB 43") *Financial Reporting for Postemployment Benefit Plans Other than Pensions* that establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in GASB Statement No. 26.

GASB 43 establishes reporting requirements to include reporting the statement of net plan assets including fair value and composition of plan assets, plan liabilities and plan net assets including year-to-year changes. Plans must also disclose and report actuarially determined information for a minimum of three valuation periods.

This statement is effective for financial statements for periods beginning after December 15, 2006. The adoption of GASB 43 will result in changes to the form and content of the notes to the financial statements. While the impact on the District's financial position or results of operations has not yet been determined, it is not expected to be material.

In June 2004, the GASB issued Statement No. 45 ("GASB 45") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* that establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures and, if applicable, required supplementary information (RSI) in the financial reports.

GASB 45 improves the relevance and usefulness of financial reporting by requiring systematic accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service, and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. This statement is effective for periods beginning after December 15, 2006. To comply with these requirements, the

District engaged an actuarial firm to perform an actuarial valuation of its OPEB provided to its employees. The actuarial valuation will deliver the District's liability associated with these benefits.

GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2006.

GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007.

- **Cash, Cash Equivalents, and Investments**

The District maintains an accounting system in which all general School Board cash, investments, and accrued interest are recorded and maintained in a separate group of accounts. Investment income is allocated based on the proportionate balances of each fund's equity in pooled cash and investments. The cash and investment pool is available for all funds, except the State Board of Education Bond and the Certificates of Participation Debt Service Funds.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Florida Statutes, Chapter 280. Cash and cash equivalents are considered to be cash on hand, demand deposits, nonmarketable time deposits, money market accounts and funds.

Investments are carried at fair value and include U.S. Agency obligations, commercial paper, and the State Board of Administration Investment Pool. Pension Trust Fund investments are recorded at fair value and include: commercial paper, corporate bonds, securities of U.S. Government Agencies, and equity mutual funds.

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of the District's operations. Inventories are stated at cost, principally on a weighted average cost basis. Commodities from the United States Department of Agriculture are stated at their fair market value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services. Commodities inventory is accounted for using the "purchases" method that expense inventory when acquired and inventories on hand at fiscal year end are reported as an asset and a reservation of fund balance. Noncommodity inventory is accounted for under the consumption method and as such is recorded as an expenditure when used. Since inventories of commodities also involve purpose restrictions they are presented as restricted net assets in the government-wide statement of net assets.

- **Due From Other Governments or Agencies**

Amounts due to the District by other governments or agencies are for grants or programs under which the services have been provided to the community by the District.

- **Other Assets**

Other assets consist mainly of prepaid expenses which are recognized upon the receipt of the goods or services that were received but not consumed at year-end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a fund balance reserve account.

- **Restricted Net Assets**

Certain proceeds from bonds and Certificates of Participation issuances, as well as resources for debt service payments are classified as restricted net assets on the Statement of Net Assets because their use is limited by applicable bond covenants and restrictions.

When both restricted and unrestricted net assets are available for a specific purpose, it is the District's policy to use restricted net assets first, until exhausted, before using unrestricted resources.

- **Capital Assets**

Capital assets which include, land; buildings; building improvements; furniture, fixtures, and equipment; and motor vehicles are reported in the Statement of Net Assets in the government-wide statements. The District's capitalization threshold for furniture, fixtures and equipment is $1,000 or greater. Building improvements, additions, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Assets are recorded at historical cost. Assets purchased under capital leases are recorded at cost, which approximates fair value at acquisition date and does not exceed the present value of future minimum lease payments. Donated assets are recorded at the fair market value at the time of receipt.

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

Description	Useful Life (Years)
Buildings and Improvements	20 - 50
Furniture, Fixtures, and Equipment	5 - 20
Motor Vehicles	7 - 18
Property Under Capital Leases	5 - 20
Audio Visual Materials and Computer Software	5 - 10

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government-wide statements.

- **Long-Term Debt and Compensated Absences**

The government-wide financial statements report long-term liabilities or obligations that are expected to be paid in the future. Long-term liabilities reported include bonds, Certificates of Participation

(COPs), capital leases, vested vacation and sick pay benefits, estimate for anticipated nonvested sick pay benefits, and post-retirement benefits payable in future years. Bond premiums/discounts are amortized over the life of the bonds using the effective-interest method; while deferred loss on advance refundings and issuance costs are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds in a systematic and rationale method, which approximates the effective-interest method.

In the fund financial statements, bond premiums and discounts, as well as issuance costs are recognized in the period they are issued. Proceeds, premiums, and discounts are reported as other financing sources and uses. Issuance costs are reported as debt service expenditures.

- **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP), administered by the Florida Department of Education (FDOE), under the provisions of Section 1011.62, Florida Statutes. The District files reports on full-time equivalent (FTE) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The District receives revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. Any unused money is returned to the FDOE and so recorded in the year when returned.

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay (PECO) money, to the District on an annual basis for capital and other projects. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of PECO funds as unearned revenue until such time as the encumbrance authorization is approved.

- **Property Taxes – Revenue Recognition**

In the government-wide financial statements, property tax revenue is recognized when levied. The receivable is recorded net of an estimated uncollectible, which is based on past collection experience. In the fund financial statements, property tax revenue is recognized when taxes are received. Year-end revenue is accrued for taxes collected by the County Tax Collector and received by the District within 60 days subsequent to fiscal year-end.

- **Unearned Revenue**

Funding for the Public Education Capital Outlay (PECO) programs are appropriated by the Legislature, however, revenue recognition is deferred until an encumbrance authorization is approved.

The noncurrent portion of unearned revenue in The Statement of Net Assets relates to a forward purchase agreement (See Note 11).

- **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

- **Restatements – Prior Period Adjustments**

Governmental Funds – Beginning Fund Balance

During the fiscal year ended June 30, 2007, the District revised its method of calculating the due and payable portion of the actuarially determined liabilities for unpaid claims for workers' compensation, general liability, and auto liability to be in accordance with the modified accrual basis of accounting. For financial statement presentation purposes, only the amounts that are due and payable at June 30, 2007, are reflected in the fund statements with the remaining balances reflected in the government-wide statements. Accordingly, the General Fund's beginning fund balance has been restated.

Additionally, during the fiscal year, the Florida Department of Education provided the District revised reports reflecting the correct refunding results from the State Board of Education Capital Outlay Bonds, 2005 Series A and B issues. Accordingly, the beginning fund balance in the nonmajor governmental funds has been restated.

The impact of these restatements is as follows:

	General Fund	Other Governmental Funds
Fund Balances, July 1, 2006	$195,023,440.36	$295,457,644.05
Adjustment to Fund Balances	32,933,000.00	1,957,555.59
Fund Balances, July 1, 2006, as Restated	**$227,956,440.36**	**$297,415,199.64**

Government-wide Financial Statements – Beginning Net Assets

In addition to the changes referred to above, beginning net assets have been restated to reflect the refunding of 1996A, 1997A, 1998A, and 2000A Capital Outlay Bonds as revised by the Florida Department of Education.

Net Assets, July 1, 2006	$1,720,408,557.97
Adjustments to Net Assets Government-wide	7,230,000.00
Adjustment to Beginning Fund Balances - Governmental Funds	1,957,555.59
Net Assets, July 1, 2006, as Restated	**$1,729,596,113.56**

2. BUDGET COMPLIANCE AND ACCOUNTABILITY

➢ Budgetary Information

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

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

➢ Deficit Fund Equity

Capital Projects - Section 1011.14 F.S. Loans Fund has an accumulated deficit balance of $(58,901,386.72) at June 30, 2007. The District is utilizing a Revenue Anticipation Note in the form of a $220 million line of credit for interim financing of capital projects, of which $48,845,689 was outstanding at June 30, 2007. This deficit was a result of recognizing capital outlay expenditures in this fund, and not recognizing the proceeds from the line of credit as other financing sources, but instead, as a short-term liability pursuant to generally accepted accounting principles. The other $10,055,697.72 of this deficit is due to accrual of expenditures in excess of available proceeds from the line of credit. The District plans to eliminate the deficit through the issuance of Certificates of Participation or other capital sources during the 2007-08 fiscal year.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits and Investments

The District's surplus funds are invested directly by the District's Office of Treasury Management or through the State Board of Administration (SBA). Investments of the District's State Board of Education (SBE) bond proceeds held and administered by the SBE are made by the SBA.

As authorized under State Statutes the School Board has adopted School Board Rule 6Gx13-3B1.01, Deposit and Investment Policies for School Board Funds, (Investment Policy) as its formal Investment Policy for all surplus funds, except for the Supplemental Early Retirement Funds, which are invested under School Board Rule 6Gx13-4D1.102. School Board Rule 6Gx 13-3B1.01 permits the following investments and are structured to place the highest priority on the safety of principal and liquidity of funds:

- Time Deposits – School Board and State approved designated depository
- US Government direct obligations
- Revolving Repurchase Agreements or similar investment vehicles for the investment of funds awaiting clearance with financial institutions
- Commercial Paper rated A1/P1/F1 or better
- Bankers Acceptances with the 100 largest banks in the world
- State Board of Administration Local Government Surplus Trust Fund Investment Pool
- Obligations of the Federal Farm Credit Banks
- Obligations of the Federal Home Loan Bank
- Obligations of the Federal Home Loan Mortgage Corporation
- Obligations guaranteed by the Government National Mortgage Association
- Obligations of the Federal National Mortgage Association
- Securities of any investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C.

In addition, under School Board Rule 6Gx13-4D1.102, Early Retirement Plan – Investment Policies, the following investments are also permitted.

- Corporate or Taxable Government Bonds
- Equity Securities including index funds and actively managed mutual funds

Cash, cash equivalents, and investments for governmental and fiduciary funds of the District as of June 30, 2007, were as follows:

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Government Agency	$ 250,409,500.36	1.95
Commercial Paper (less than 5 percent per issuer)*	369,498,584.66	0.14
Daimler Chrysler Commercial Paper*	71,730,631.35	0.05
UBS Financial Commercial Paper*	77,126,824.80	0.13
Vehicle Services Commercial Paper*	69,284,055.40	0.15
Yorktown Capital Commercial Paper*	62,743,997.80	0.05
Money Market Mutual Funds	2,028,629.39	0.10
State Board of Administration - LGIP	294,630,828.45	0.07
State Board of Education - COBI	2,769,084.95	0.50
Guaranteed Investment Contract	16,205,189.68	7.37
Corporate Bonds - Pension Trust Fund	7,489,530.05	2.86
Total Debt Investments	1,223,916,856.89	0.60
Equity Mutual Funds - Pension Trust Fund	18,421,546.72	
Total Investments	1,242,338,403.61	
Cash and Cash Equivalents	184,761,476.03	
Total Cash and Investments	$ 1,427,099,879.64	

At June 30, 2007, $814.4 million in cash and investments relate to unspent proceeds pertaining to various financings including the City of North Miami Educational Facilities Construction Notes and Certificates of Participation (COPs), which are restricted assets whose use is limited to projects primarily related to the acquisition and construction of school facilities and equipment as authorized by Board Resolutions and Debt Covenants.

*All commercial paper totaling less than 5 percent of total investments by issuer are grouped together and equal $369,498,584.66. The following issuers exceeded 5 percent of total investments: UBS Financial at 6.21 percent, Vehicle Services at 5.58 percent, Yorktown Capital at 5.05 percent, and Daimler Chrysler at 5.86 percent, which includes $71,730,631.35 in commercial paper and $1,032,090 in Corporate Bonds.

Interest Rate Risk

In accordance with its investment policy under Board Rule 6Gx13- 3B-1.01, the School Board manages its exposure to declines in fair values by substantially limiting the weighted average maturity on all investments to one year or less. U.S. Government Agency Securities include $63,445,256.94 in callable securities that are assumed to be called on the next call date, and as such the weighted average maturity reflects the call date as the maturity date for these securities. U.S. Government Agency Securities include $11,886,504.80 in step-up securities with 2.36 years weighted average maturities.

Credit Risk

Investment Type	Rating*	Percentage of Investments
Federal Farm Credit Banks	AAA	2.73
Federal Home Loan Bank	AAA	6.02
Federal Home Loan Mortgage Corporation	AAA	5.49
Federal National Mortgage Association	AAA	5.91
Commercial Paper	A1+	52.35
Money Market Mutual Funds	AAAm	0.16
State Board of Administration - LGIP	Not Rated	23.72
State Board of Education - COBI	Not Rated	0.22
Guaranteed Investment Contract	Not Rated	1.30
Corporate Bonds - Pension Trust Fund	AA	0.08
Corporate Bonds - Pension Trust Fund	A	0.20
Corporate Bonds - Pension Trust Fund	BBB	0.08
Corporate Bonds - Pension Trust Fund	BB	0.08
Corporate Bonds - Pension Trust Fund	B	0.16
Equity Mutual Funds - Pension Trust Fund	Not Rated	1.50

* Standard & Poor's ratings.

Concentration Risks

The District's policy permits up to 20 percent in Federal Farm Credit, 20 percent in Federal Home Loan Bank, 20 percent in Federal Home Loan Mortgage Corporation, 20 percent in Federal National Mortgage Association agency securities, and up to 7.5 percent in Commercial Paper with a single issuer. In addition, investment in the State Board of Administration – Local Government Investment Pool, which operates as a 2a-7-like Fund, is permitted without limitations.

Cash/Deposits

The District's cash deposits include money market, demand deposits and petty cash. All bank balances of the District are fully insured or collateralized. At June 30, 2007, the deposits' fair value and bank balances were $184,761,476.03.

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2007, were as follows:

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 235,174,602.61	$ 37,372,520.34	$	$ 272,547,122.95
Land Improvements - Nondepreciable	57,410,522.61	50,465,749.02		107,876,271.63
Construction in Progress	398,246,064.92	772,920,037.50	413,472,130.03	757,693,972.39
Total Capital Assets Not Being Depreciated	690,831,190.14	860,758,306.86	413,472,130.03	1,138,117,366.97
Capital Assets Being Depreciated:				
Buildings and Improvements	3,062,735,808.35	402,626,120.44	4,977,657.19	3,460,384,271.60
Furniture, Fixtures, and Equipment	247,352,233.64	45,992,720.05	31,089,916.96	262,255,036.73
Motor Vehicles	117,120,531.08	1,081,026.09	17,700,293.13	100,501,264.04
Property Under Capital Leases	29,778,584.54	51,654,870.73	940,652.20	80,492,803.07
Audio Visual Materials and Computer Software	9,298,618.46	5,153,409.99	979,515.35	13,472,513.10
Total Capital Assets Being Depreciated	3,466,285,776.07	506,508,147.30	55,688,034.83	3,917,105,888.54
Less Accumulated Depreciation for:				
Buildings and Improvements	817,153,319.50	84,085,252.47	4,156,727.42	897,081,844.55
Furniture, Fixtures, and Equipment	163,917,698.94	23,003,157.54	24,365,048.70	162,555,807.78
Motor Vehicles	57,226,922.15	6,865,108.65	13,097,556.00	50,994,474.80
Property Under Capital Leases	2,683,696.77	4,167,623.70	940,652.20	5,910,668.27
Audio Visual Materials and Computer Software	3,810,169.85	2,211,554.76	449,784.40	5,571,940.21
Total Accumulated Depreciation	1,044,791,807.21	120,332,697.12	43,009,768.72	1,122,114,735.61
Total Capital Assets Being Depreciated, Net	2,421,493,968.86	386,175,450.18	12,678,266.11	2,794,991,152.93
Governmental Activities Capital Assets, Net	**$ 3,112,325,159.00**	**$ 1,246,933,757.04**	**$ 426,150,396.14**	**$ 3,933,108,519.90**

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

For the fiscal year ended June 30, 2007, depreciation by function is as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 7,218,485.14
Pupil Personnel Services	123,800.34
Instructional Media Services	631,112.23
Instruction and Curriculum Development Services	1,510,112.35
Instructional Staff Training Services	682,835.62
Instruction Related Technology	56,352.62
Board of Education	17,602.56
General Administration	54,806.16
School Administration	668,293.31
Facilities Acquisition and Construction	16,108,854.82
Fiscal Services	45,479.45
Food Services	1,482,321.47
Central Services	1,691,125.89
Pupil Transportation Services	237,288.47
Operation of Plant	699,136.46
Maintenance of Plant	2,438,171.39
Administrative Technology Services	125.60
Community Services	125,704.89
Unallocated	86,541,088.35
Total Depreciation	**$ 120,332,697.12**

Construction-in-progress and related commitments are comprised of the following:

	Incurred to Date
Elementary Schools	$ 364,507,737.84
Middle Schools	73,053,106.25
Senior Schools	293,135,065.66
Special Schools	4,672,130.15
Administration/Other	22,325,932.49
Total	**$ 757,693,972.39**

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2007, the District had construction commitments of $715,982,014.73.

5. INTERFUND RECEIVABLES, PAYABLES AND OPERATING TRANSFERS

Interfund receivables and payables consisted of the following balances as of June 30, 2007:

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 99,940,255.23	$ 208,105.90
Capital Projects:		
Section 1011.14 F.S. Loans	532,525.49	260,022.50
Capital Improvement-Local Optional Millage Levy	998,384.61	56,411,594.18
Certificates of Participation	587,096.54	12,987,035.19
Nonmajor Governmental	781,469.73	32,972,973.83
Total	**$102,839,731.60**	**$102,839,731.60**

Most of the interfund activity represents reimbursement to the General Fund for payments made on behalf of other funds.

A summary of operating transfers for the year ended June 30, 2007, was as follows:

Transfers from:	Transfers to: General	Capital Projects - Section 1011.14 F.S. Loans	Nonmajor Governmental	Total
Major Funds:				
General	$	$	$ 200,000.00	$ 200,000.00
Capital Projects:				
Capital Improvement-Local Optional Millage Levy	133,481,698.89	100,903,344.64	78,020,413.96	312,405,457.49
Certificates of Participation			23,859,193.92	23,859,193.92
Nonmajor Governmental	20,375,608.00		193,081,863.61	213,457,471.61
Total	**$ 153,857,306.89**	**$ 100,903,344.64**	**$295,161,471.49**	**$549,922,123.02**

Interfund transfers represent permanent transfers of money between funds. Funds transferred to the General Fund primarily relate to the funding of maintenance and repairs of existing schools. Funds transferred to Nonmajor Governmental Funds, which includes the Debt Service Funds, primarily relate to the funding of principal and interest payments on the District's outstanding debt.

6. RECEIVABLES/PAYABLES FROM/TO OTHER AGENCIES

Receivables at June 30, 2007, were as follows:

	General Fund	Nonmajor Funds	Total
Due From Other Agencies:			
Federal Government			
Medicaid Federal	$ 4,884,716.78	$	$ 4,884,716.78
Food Service Reimbursement		10,848,707.25	10,848,707.25
Fund For the Improvement of Education		1,362,920.10	1,362,920.10
Magnet Schools		1,217,459.94	1,217,459.94
Miscellaneous Federal	205,248.41	1,641,175.40	1,846,423.81
State Government			
Public Education Capital Outlay		8,030,388.00	8,030,388.00
Effort Index		3,648,520.00	3,648,520.00
K-3 Class Size Reduction		254,953.00	254,953.00
Classrooms For Kids		39,037,318.00	39,037,318.00
SAVES		1,790,872.84	1,790,872.84
FEMA	9,417,018.93		9,417,018.93
Dale Hickman Mentoring	2,819,829.38		2,819,829.38
Miscellaneous State	283,427.29	7,157,794.15	7,441,221.44
Local Government			
Miscellaneous Local	3,867,241.11	8,279,731.49	12,146,972.60
E-Rate	7,000,000.00		7,000,000.00
Driver's Education Program	2,200,000.00		2,200,000.00
Total	**$ 30,677,481.90**	**$ 83,269,840.17**	**$ 113,947,322.07**

Payables at June 30, 2007, were as follows:

	General Fund	Nonmajor Funds	Total
Due To Other Agencies:			
Federal Government			
Miscellaneous Federal	$	$ 1,005,304.60	$ 1,005,304.60
State Government			
State of Florida - Merit Award Program	13,939,648.00		13,939,648.00
Miscellaneous State	21,750.60	1,156,843.02	1,178,593.62
Local Government			
Charter Schools	2,829,938.82		2,829,938.82
Miscellaneous Local	96,677.53	1,880,851.65	1,977,529.18
Total	**$ 16,888,014.95**	**$ 4,042,999.27**	**$ 20,931,014.22**

7. SHORT-TERM DEBT

Short-term debt activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note (TAN), Series 2006, issued on July 26, 2006. Effective yield of 3.75 percent, with a maturity date of June 28, 2007.	$	$ 160,000,000.00	$ 160,000,000.00	$
Revenue Anticipation Note (RAN), Series 2005A line of credit, issued on December 1, 2005, with a maturity date of November 30, 2006. Interest rate to be applied to the unpaid principal balance, not to exceed $100,000,000, will be a variable rate equal to the sum of 63.7 percent of the LIBOR rate plus .445 percent per annum. The effective yield as of November 30, 2006, was 3.83 percent.	19,481,882.69	24,780,000.00	44,261,882.69	
Revenue Anticipation Note (RAN), Series 2007A line of credit, issued on February 28, 2007, with a maturity date of January 31, 2008. Interest rate to be applied to the unpaid balance, not to exceed $220,000,000, will be a variable rate equal to the sum of the Securities Industry and Financial Markets Association (SIFMA) Index plus .35 percent per annum. The effective yield as of June 30, 2007, was 4.08 percent.		48,845,689.00		48,845,689.00
Total	**$ 19,481,882.69**	**$ 233,625,689.00**	**$ 204,261,882.69**	**$ 48,845,689.00**

Proceeds from the TAN were used as a working capital reserve in the General Fund as permitted under State and Federal tax laws. The proceeds from the 2005A and 2007A RANs were used to reimburse the capital outlay funds for repair and renovation of existing facilities and new capacity projects.

8. COMPENSATED ABSENCES

The District's employee vacation and sick leave policies provide for the granting of a specific number of days of vacation based on years of service governed by applicable labor contracts and one day of sick leave with pay per each month of employment. Active employees, excluding administrators, may request payment of

80 percent of their unused sick leave which has accumulated during the fiscal year, provided they have not used more than three sick/personal days during that time and have a remaining balance, after payment, of twenty-one days. These policies also provide for paying most employees unused vacation up to 60 days upon termination, and up to 100 percent of unused sick leave after thirteen years of service; 50 percent after ten years; 45 percent after six years; 40 percent after three years and 35 percent during the first three years of qualified service upon retirement, death, or resignation. Vacation accrual is limited to 60 days for twelve-month active employees.

The School Board approved the adoption of the Miami-Dade County Public Schools Terminal Leave Retirement Program (TLRP) at its May 14, 2003, Board meeting. The TLRP Program consists of a tax-favored retirement plan, which allows the Board to direct accrued annual (vacation) leave or terminal sick leave (accrued sick days) for employees who are separating from service as a result of retirement, or entering into or continuing DROP, to a tax-sheltered annuity program, or other qualified plan, in lieu of a taxable cash payment to the employee, upon separation from service.

The program is mandatory as a result of Board action which became effective on May 15, 2003, for all personnel, except American Federation of State, County, and Municipal Employees (AFSCME) who will have their annual (vacation) leave and terminal sick leave automatically contributed to either the Board's Tax Sheltered Annuity 403(b) or 401(a) Programs. Contributions into this program will not be subject to either Federal Income Tax (estimated 27 percent) or Social Security Tax (FICA) of 7.65 percent. Any amount of accrued terminal leave in excess of the amounts authorized by the IRS will be paid out to the retiring employee and will be subject to applicable taxes.

The current portion (the amount expected to be liquidated with current available resources) of the accumulated vested vacation and anticipated sick leave payments is recorded in the General Fund and is included in accrued payroll and compensated absences. The liabilities recorded include provisions for the employer's portion of pension contributions, FICA and other fringe benefits on the vested vacation and sick leave as applicable. At June 30, 2007, the accrued liability for compensated absences in the General Fund was $5,317,438.50.

Governmental Accounting Standards Board (GASB) Statement 16, *Accounting for Compensated Absences*, requires governmental agencies to record as a liability the vested and future rights to sick and/or vacation leave. Accordingly, consideration of the probability of partially vested employees becoming fully vested and actual past termination payment experience in the determination of this liability was considered.

The statement of net assets reflects both the current and long-term portions of compensated absences including, fringe benefits. At June 30, 2007, the current and long-term portions were $13,882,438.50 and $246,574,356.20, respectively.

9. CAPITAL LEASES

The District has entered into various capital lease agreements for the acquisition of certain property, vehicles, and equipment which are stated at acquisition cost and included as part of capital assets. At June 30, 2007, the amount of leased equipment recorded in capital assets was $80,492,803.07. Additionally, $26,150,581.19 of unspent proceeds relating to the Master Equipment Lease Agreement is disclosed as restricted cash and investments at June 30, 2007, in Note 3.

The following is a summary of the future minimum lease payments under capital leases together with the present value of the minimum lease payments as of June 30, 2007:

Fiscal Year Ending June 30	Total	Principal	Interest
2008	$ 13,542,068.45	$ 10,354,538.69	$ 3,187,529.76
2009	16,299,352.97	12,808,488.35	3,490,864.62
2010	15,876,768.04	13,185,650.35	2,691,117.69
2011	15,571,363.40	13,395,754.79	2,175,608.61
2012	11,780,236.02	10,092,095.36	1,688,140.66
2013-2017	40,636,831.17	37,316,533.34	3,320,297.83
Total Minimum Lease Payments	**$ 113,706,620.05**	**$ 97,153,060.88**	**$ 16,553,559.17**

The amount representing interest was calculated using imputed interest rates ranging primarily from 0.0 to 16.0 percent.

10. NOTES AND LONG-TERM BONDS PAYABLE

- **Notes Payable**

City of North Miami, Florida Educational Facilities Construction Notes

On October 25, 2006, the District entered into an interlocal agreement with the City of North Miami (City), to provide for the financing, construction, and acquisition of two public high schools located within the City. In accordance with the interlocal agreement, the City issued its Florida Education Facilities Construction Notes, Series 2006, in the aggregate principal amount of $124,000,000, which is composed of a $62,000,000 note at a variable interest rate equal to 63.7 percent of 1 month LIBOR plus 0.5 percent (3.8888 percent at June 30, 2007), and a $62,000,000 note at a variable interest rate equal to BMA plus 0.47625 percent (4.2063 percent at June 30, 2007).

Principal and interest are payable at maturity on August 1, 2009, from permanent financing to be provided by the District. The proceeds of the Notes are to be used to provide construction financing for a portion of the costs of the high schools. The District agreed to oversee the design, development, and construction of the high schools and provide permanent financing of the high schools in the 2008-09 fiscal year from the proceeds of Certificates of Participation or other legally available funds.

Computer Software License Agreement

On December 31, 2005, the District entered into a four year Master License Agreement with a vendor for the acquisition of computer software. The remaining payments provided for in the agreement total $248,500 and $514,750 for the fiscal years ending June 30, 2008, and June 30, 2009, respectively.

- **Long-Term Bonds Payable**

State Board of Education Capital Outlay Bonds

Capital Outlay Bonds are issued by the State Board of Education (SBE) on behalf of the District and are generally referred to as "SBE Bonds." Proceeds are generally used to fund capital projects that are on the District's Project Priority List. The bonds mature serially and are secured by a pledge of the District's portion of the State revenues derived from the sale of automobile license plates. 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. At June 30, 2007, amounts withheld and in the custody of the State totaled $2,769,084.95 and are included as cash and investments with fiscal agent in the Statement of Net Assets.

General Obligation Bonds

On March 8, 1988, pursuant to Florida Statutes, Section 1010.41, voter residents of the District approved a referendum authorizing the School Board to issue General Obligation School Bonds in an aggregate amount not exceeding $980 million, to be issued as required. The proceeds from the bonds are to be used to pay the cost of providing new educational facilities and improving existing educational facilities. As of June 30, 2007, no bonds remain to be issued. Principal and interest on the bonds will be paid from ad valorem school district taxes on all taxable real and personal property, excluding homestead exemption as required by Florida law, without limitation as to rate or amount.

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

A summary of bonds payable as of June 30, 2007, is as follows:

	Authorized	Issued	Outstanding
State Board of Education (SBE) -Capital Outlay Bonds -Series 1998A, due in varying annual payments through January 1, 2018, with interest rates ranging from 4.0 percent to 5.5 percent. Interest is payable semi-annually on January 1 and July 1. Bonds are callable on January 1, through December 31, 2008, at par plus 1.0 percent premium and thereafter at par.	$ 4,750,000	$ 4,750,000	$ 235,000
State Board of Education (SBE) -Capital Outlay Bonds - Series 1999A, due in varying annual payments through January 1, 2019, with interest rates ranging from 4.00 percent to 4.75 percent. Interest is payable semi-annually on January 1 and July 1. Bonds are callable on January 1, through December 31, 2009, at par plus 1.0 percent premium and thereafter at par.	3,100,000	3,100,000	2,105,000
State Board of Education (SBE) – Capital Outlay Bonds – Series 2000A, due in varying annual payments through January 1, 2020, with interest rates ranging from 4.65 percent to 6.00 percent. Interest is payable semi-annually on January 1 and July 1. Bonds are callable on January 1, through December 31, 2010, at par plus 1.0 percent premium, and thereafter at par.	900,000	900,000	120,000
State Board of Education (SBE) – Capital Outlay Bonds – Series 2001A, due in varying annual payments through January 1, 2021, with interest rates ranging from 4.10 percent to 5.25 percent. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, 2012, at par plus 1.0 percent premium, and thereafter at par.	495,000	495,000	400,000
State Board of Education (SBE) – Capital Outlay Bonds – Series 2002A, due in varying annual payments through January 1, 2022, with interest rates ranging from 3.0 percent to 5.0 percent. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2012, at par plus 1.0 percent premium, and thereafter at par.	1,950,000	1,950,000	1,645,000

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

	Authorized	Issued	Outstanding
State Board of Education (SBE) – Capital Outlay Bonds – Series 2003A, due in varying annual payments through January 1, 2023, with interest rates ranging from 3.0 percent to 5.0 percent. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2013, at par plus 1.0 percent premium, and thereafter at par.	$ 1,285,000	$ 1,285,000	$ 1,105,000
State Board of Education (SBE) – Capital Outlay Bonds – Series 2004A, due in varying annual payments through January 1, 2024, with interest rates ranging from 3.000 percent to 4.625 percent. Interest is payable semi-annually on January and July 1. Bonds are callable on January 1, through December 31, 2014, at par plus 1.0 percent premium, and thereafter at par.	5,115,000	5,115,000	4,670,000
State Board of Education (SBE) Capital Outlay Bonds – Series 2005A, due in varying annual payments through January 1, 2025, with interest rates ranging from 3.0 percent to 5.0 percent. Interest is payable semi-annually on January 1 and July 1. Bonds are callable on January 1 through December 31, 2015, at par plus 1.0 percent premium, and thereafter at par. A portion of the proceeds was used to refund SBE Capital Outlay Bonds Series 1996A & 1997A to achieve debt service savings.	89,680,000	89,680,000	84,205,000
State Board of Education (SBE) Capital Outlay Bonds – Series 2005B, due in varying annual payments through January 1, 2020, with interest rates ranging from 3.0 percent to 5.0 percent. Interest is payable semi-annually on January 1 and July 1. Bonds are callable on January 1 through December 31, 2015, at par plus 1.0 percent premium and thereafter at par. The proceeds from these bonds were used to refund SBE Capital Outlay Bonds Series 1998A and 2000A to achieve debt service savings.	2,735,000	2,735,000	2,720,000

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

	Authorized	Issued	Outstanding
General Obligation Schools Bonds, Series 1994, consisting of Serial Bonds due in varying serial payments through August 1, 2014. Interest rates ranging from 5.0 percent to 6.4 percent, is payable February 1 and August 1. Bonds maturing on August 1, 2004, and thereafter were called on this date at the redemption price of 101 percent. The bonds were remarketed with the same maturity dates, rates, and issue date at a true interest cost of 2.66 percent. The sale resulted in the same cash flow as the prior debt service and an economic gain of $11,811,727.15 (Premium less issuance costs and call premium) for project fund deposits.	Third in a series not to exceed $980,000,000	$ 99,030,000	$77,155,000
General Obligation School Bonds, Series 1995, (partially defeased in substance) consisting of Serial Bonds due in varying serial payments through August 1, 2015. Interest rates ranging from 5.000 percent to 6.875 percent, is payable February 1 and August 1. Bonds maturing on August 1, 2004, and thereafter were called on this date at the redemption price of 101 percent. The bonds were remarketed with the same maturity dates, rates and issue date at a true interest cost of 1.86 percent. The sale resulted in the same cash flow as the prior debt service and an economic gain of $1,680,052.56 (premium less issuance costs and call premium), for project fund deposits.	Sixth in a series not to exceed 980,000,000	34,875,000	12,215,000
General Obligation Refunding School Bonds Series 1997, consisting of Serial Bonds due in varying serial payments through February 15, 2017. Interest, at a rate of 5.0 percent, is payable February 15 and August 15. The Bonds maturing on February 15, 2008, and thereafter were called on November 1, 2006, at the redemption price of 101 percent. The Bonds were remarketed at the same maturity dates, rates, and issue date at a true interest cost of 3.83 percent. The sale resulted in the same cash flow as prior debt service and an economic gain of $4,237,016.19 (premium less issuance cost and call premium), for project fund deposits.	86,785,000	86,785,000	86,785,000

	Authorized	Issued	Outstanding
General Obligation Refunding School Bonds Series 1993, consisting of Serial Bonds due in varying serial payments through July 15, 2008. Interest rates ranging from 4.00 percent to 5.25 percent, is payable January 15 and July 15. The Bonds maturing on July 15, 2004, and thereafter were called on this date at the redemption price of 100 percent. The bonds were remarketed with the same maturity dates, rates, and issue date at a true interest cost of 1.65 percent. The sale resulted in the same cash flow as the prior debt service and an economic gain of $8,717,699.63 (premium less issuance costs), for project fund deposits.	$152,855,000	$85,955,000	$ 3,696,000
General Obligation Refunding School Bonds Series 1996, consisting of Serial Bonds due in varying serial payments through July 15, 2011. Interest, with rates ranging from 4.50 percent to 5.00 percent, is payable January 15 and July 15. The Bonds maturing on July 15, 2007, and thereafter were called on November 1, 2006, at the redemption price of 101 percent. The Bonds were remarketed at the same maturity dates, rates, and issue date at a true interest cost of 3.72 percent. The sale resulted in the same cash flow as prior debt service and an economic gain of $1,382,979.75 (premium less issuance cost and call premium), for project fund deposits.	79,650,000	79,650,000	79,650,000
General Obligation Refunding School Bonds Series 1998, consisting of Serial Bonds due in varying serial payments through August 1, 2015. Interest rates ranging from 4.00 percent to 5.38 percent, is payable February 1 and August 1. The Bonds are not subject to redemption prior to maturity.	154,580,000	154,580,000	151,555,000
Total Long-Term Bonds Payable			**$ 541,525,000**

Debt service requirements through maturity for all long-term bonds payable at June 30, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Requirements
2008	$ 70,510,000.00	$ 25,720,193.13	$ 96,230,193.13
2009	74,090,000.00	22,217,835.01	96,307,835.01
2010	57,895,000.00	19,081,606.26	76,976,606.26
2011	60,815,000.00	16,192,064.13	77,007,064.13
2012	64,130,000.00	13,051,810.63	77,181,810.63
2013-2017	209,180,000.00	26,042,514.39	235,222,514.39
2018-2022	3,890,000.00	721,340.00	4,611,340.00
2023-2027	1,015,000.00	67,725.00	1,082,725.00
Subtotal	541,525,000.00	123,095,088.55	664,620,088.55
Plus: Unamortized Premiums and Deferred Charges	12,058,234.91		12,058,234.91
Total	**$553,583,234.91**	**$123,095,088.55**	**$676,678,323.46**

11. OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT - CERTIFICATES OF PARTICIPATION

On August 1, 1994, the District entered into a Master Lease Purchase Agreement with the Miami-Dade County School Board Foundation, Inc. (Foundation), formerly known as the Dade County School Board Foundation, Inc., to finance the acquisition and construction of new schools and appurtenant equipment and other property (Facilities) to be operated by the District. The members of the School Board serve as the Board of Directors of the Foundation. The Foundation was formed by the School Board solely for the purpose of acting as the lessor of the Facilities, with the District as lessee. The School Board as lessor entered into Ground Leases with the Foundation for the Facilities site and all improvements. In conjunction therewith, Certificates of Participation, (Certificates) were issued to third parties, evidencing undivided proportionate interests in basic lease payments to be made by the District, as lessee, pursuant to the Master Lease Purchase Agreement. Fee title to the Facilities and the Facilities site is in the name of the District. The District is responsible for operation, maintenance, use, occupancy, upkeep, and insurance of the Facilities.

The Foundation leases the Facilities to the District under Lease Purchase Agreements, which are automatically renewable annually through May 1, 2037, unless terminated, in accordance with the provisions of the Lease Purchase Agreements, as a result of default or the failure of the School Board to appropriate funds to make lease payments in its final official budget. The remedies on default or upon an event of non-appropriation include the surrender of the Facilities by the District and its re-letting for the remaining Ground Lease term, or the voluntary sale of the Facilities by the School Board, in either case with the proceeds to be applied against the School Board's obligations under the Lease Purchase Agreements.

The Certificates are not separate legal obligations of the School Board, but represent undivided interests in lease payments to be made from appropriate funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the School Board, the District, the State of Florida, nor any political subdivision thereof, are obligated to pay, except from appropriated funds, any sums due under the Lease Purchase Agreements from any source of taxation. The full faith and credit of the School Board and the District is not pledged for payment of such sums due under the Lease Purchase Agreements and such sums do not constitute an indebtedness of the School Board or the District within the meaning of any constitutional or statutory provision or limitation. The District intends that the Series 2000A, 2001C, 2004A, 2005A, 2006C, and 2006D lease payments will primarily be paid out of impact fees collected on new residential construction by Miami-Dade County and remitted to the School Board.

Basic lease payments are deposited with the Trustee semi-annually. For accounting purposes, due to the consolidation of the Foundation within the financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. Payments of the outstanding Certificates of Participation are insured through MBIA Insurance Corp., AMBAC Indemnity Corp., Financial Security Assurance (FSA) Inc., and Financial Guarantee Insurance Company (FGIC).

A trust fund was established with the Trustee to facilitate payments in accordance with the Lease Purchase Agreements and the Trust Agreements. Various accounts are maintained by the Trustee in accordance with the trust indenture. All funds held in the various accounts, are invested by the Trustee, as directed by the School Board. Interest earned on funds in the Acquisition Account is transferred to the Lease Payment Account.

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

A summary of Certificates of Participation payable as of June 30, 2007, is as follows:

	Issue Date	Final Maturity	Interest Rate(s) Percentage	Issued	Outstanding
1998A Series - Serial & Term Certificates. Partial refunding of 1994B and 1996B Series.	June 1, 1998	August 1, 2027	True Interest Cost 5.025 4.00 to 5.25	$ 132,500,000.00	$ 129,545,000.00
1998C Series - Serial & Term Certificates. Partial refunding of 1994A, 1996A and 1996B Series.	November 1, 1998	August 1, 2025	True Interest Cost 4.975 4.00 to 5.25	283,700,000.00	153,220,000.00
2000A Series - Serial & Term Certificates.	September 15, 2000	October 1, 2020	True Interest Cost 5.402 4.4 to 6 .0	100,720,000.00	12,630,000.00
2000 Qualified Zone Academy Bonds – Interest is paid by U.S. Government through issuance of Federal income tax credits.	December 21, 2000	December 21, 2013	N/A	24,508,401.46	24,508,401.46
2001 Qualified Zone Academy Bonds - Interest is paid by U.S. Government through issuance of federal income tax credits.	June 1, 2001	June 1, 2015	N/A	15,000,000.00	15,000,000.00
2003 Qualified Zone Academy Bonds Interest is paid by the U.S. Government through issuance of federal income tax credits.	December 18, 2003	December 18, 2018	N/A	9,743,635.00	9,743,635.00
2006 Qualified Zone Academy Bonds Interest is paid by the U.S. Government through issuance of federal income tax credits.	December 15, 2006	December 15, 2022	N/A	2,599,392.00	2,599,392.00
2001B Series – Auction Rate Certificates.	June 19, 2001	May 1, 2031	Variable Interest – 3.6 @ June 30, 2007	54,650,000.00	51,450,000.00
2001C Series – Serial and Term Certificates.	September 1, 2001	October 1, 2021	True Interest Cost 4.734 3.5 to 5.5	42,235,000.00	8,900,000.00
2002A Series - Auction Rate Certificates.	December 13, 2002	August 1, 2027	Variable Interest – 3.695 @ June 30, 2007	75,000,000.00	69,765,000.00
2002B Series - Auction Rate Certificates.	December 13, 2002	August 1, 2027	Variable Interest 3.45 @ June 30, 2007	75,000,000.00	70,115,000.00
2003A Series - Include Capital Appreciation Bonds, Fixed & Term Certificates. Have a mandatory purchase date of 8/1/08. Refunded 1998B series at 101 percent with a gross savings of $5,518,342 and a net present value economic savings of $5,064,715.	March 1, 2003	August 1, 2027	True Interest Cost 3.418 Assumed 3.5-Beyond Mandatory Purchase Date	63,633,332.30	61,453,332.30

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

	Issue Date	Final Maturity	Interest Rate(s) Percentage	Issued	Outstanding
2003B Series – Include Fixed Rate & Term Rate Certificates. Have a mandatory purchase date of 5/1/11. Refunded 2001A Series at 101 percent with a gross savings of $6,951,261 and a net present value economic savings of $6,700,474.	March 1, 2003	May 1, 1931	True Interest Cost 3.854 Assumed 3.5-Beyond Mandatory Purchase Date	$ 137,780,000.00	$ 134,315,000.00
2003C Series – Fixed Rate Certificates. Refunded 1993 Series at 102 percent with a gross savings of $1,218,248 and a net present value economic savings of $1,205,967.	May 5, 2003	August 1, 2008	True Interest Cost 2.53 5.125 to 5.5	24,170,000.00	9,015,000.00
2003D Series – Serial & Term Certificates.	June 1, 2003	August 1, 2029	True Interest Cost 4.358 2.0 to 5.0	165,210,000.00	163,475,000.00
2004A Series – Serial Certificates. Partially refunded 2000A and 2001C at 100 percent with a gross savings of $3,315,533 and a net present value economic savings of $3,226,428.	August 12, 2004	October 1, 2020	True Interest Cost 4.29 2.25 to 5.25	87,210,000.00	87,210,000.00
2005A Series – Serial & Term Certificates.	June 28, 2005	April 1, 2020	True Interest Cost 3.892 3.5 to 5	56,380,000.00	38,280,000.00
2006A Series – Serial & Term Certificates.	March 15, 2006	November 1, 2031	True Interest Cost 4.49 3.375 to 5.00	201,080,000.00	201,080,000.00
2006B Series – Serial & Term Certificates.	April 11, 2006	November 1, 2031	True Interest Cost 4.54 3.50 to 5.00	208,150,000.00	208,150,000.00
2006C Series – Serial & Term Certificates.	May 10, 2006	October 1, 2021	True Interest Cost 4.41 3.875 to 5.00	53,665,000.00	53,665,000.00
2006D Series – Serial Certificates. Partially refunded 2001C at 100 percent with a gross savings of $558,351 and a net present value economic savings of $418,660 .	December 21, 2006	October 1, 2021	True Interest Cost 4.098 3.625 to 5.00	10,570,000.00	10,570,000.00
2007A Series – Serial & Term Certificates.	May 10, 2007	May 1, 2032	True Interest Cost 4.52 3.75 to 5.00	316,515,000.00	316,515,000.00
2007B Series – Serial & Term Certificates.	May 24, 2007	May 1, 2032	True Interest Cost 4.47 4.00 to 5.00	101,265,000.00	101,265,000.00
2007C Series – Auction Rate Certificates.	May 24, 2007	May 1, 2037	Variable Interest 3.77 @ June 30, 2007	90,825,000.00	90,825,000.00
Total Certificates of Participation				**$ 2,332,109,760.76**	**$ 2,023,294,760.76**

At June 30, 2007, the following defeased certificates remain outstanding:

Issues	Amount Outstanding
Certificates of Participation	
Series 1998B	$ 55,885,000
Series 2000A	67,700,000
Series 2001A	123,330,000
Series 2001C	25,925,000
Total Defeased Debt	**$ 272,840,000**

The total obligation under lease purchase agreements – Certificates of Participation is as follows:

Fiscal Year Ending June 30	Total*	Principal	Interest
2008	$ 143,453,968.59	$ 52,477,046.60	$ 90,976,921.99
2009	202,263,460.27	112,957,670.60	89,305,789.67
2010	144,325,822.39	57,493,136.95	86,832,685.44
2011	273,276,825.46	189,176,894.80	84,099,930.66
2012	142,392,398.18	62,735,185.95	79,657,212.23
2013-2017	713,745,517.99	362,292,563.39	351,452,954.60
2018-2022	657,566,364.47	397,045,542.25	260,520,822.22
2023-2027	518,424,504.40	354,971,720.22	163,452,784.18
2028-2032	408,135,250.30	343,320,000.00	64,815,250.30
2033-2037	101,020,912.40	90,825,000.00	10,195,912.40
Subtotal:	3,304,605,024.45	2,023,294,760.76	1,281,310,263.69
Plus: Unamortized Premiums and Deferred Charges	2,068,897,628.86	45,602,868.10	
Total Minimum Lease Payments	**$ 5,373,502,653.31**	**$ 2,068,897,628.86**	**$ 1,281,310,263.69**

*The schedule above reflects required annual payments to the sinking fund for Qualified Zone Academy Bond certficates for the retirement of the debt, and are not considered reduction of principal until the year of maturity.

Forward Interest Rate Swaps

The District entered into forward interest rate exchange agreements (swaps) in order to lower the District's cost of capital and protect against rising interest rates. The swaps are a hedge on the District's variable rate debt and were executed to manage its mix of fixed and floating rate exposure in its ongoing borrowing program.

A summary of the District's swap transactions is as follows:

Date of Execution	Notional Amount	Effective Date	Termination Date	Associated Debt	Fixed Payable Swap Rate Percentage	Variable Receivable Swap Rate	Counterparty Credit Rating 6-30-07	Fair Value 6-30-07
4-3-06	$ 69,765,000	4-1-07	8-1-27	COP 2002A	3.821	(1)	Aaa/AA-	$ 785,762
4-3-06	70,115,000	4-1-07	8-1-27	COP 2002B	3.821	(1)	Aaa/AA-	788,062
4-3-06	57,440,000	8-1-08	7-15-27	COP 2003A	3.884	(1)	Aa3/AA-	961,021

Note: (1) 70 percent of the one month LIBOR (London Interbank Offered Rate) .

Swap debt service requirements and net swap payments as of June 30, 2007, were as follows:

Fiscal Year	Debt Principal	Debt Interest	Swap Net Interest	Total Interest
2006-07	$	$ 1,041,984.45	$ 12,863.38	$ 1,054,847.83

Swap Risk Disclosure

Credit Risk – The swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the District is exposed to credit risk, or the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled Fair Value in the table above. The fair value for each swap has been calculated using the Par Value Method. To mitigate credit risk, the District maintains strict credit standards for swap counterparties. All swap counterparties for longer term swaps are rated in the double-A category by Moody's Investors Service and single A or better category by Standard & Poor's Rating Service. To further mitigate credit risk, the District swap documents require counterparties to post collateral for the District's benefit if they are downgraded below a designated threshold.

Basis Risk – The District's swaps expose the District to basis risk. The expected savings may not be realized should the relationship between the floating index the District will receive on the swaps (70 percent of the one month LIBOR) fall short of the variable rate on the associated debt. As of June 30, 2007, 70 percent of the LIBOR rate was 3.72 percent, while the variable rates on the COP Series 2002A and COP Series 2002B Certificates of Participation were 3.74 percent and 3.80 percent, respectively. The Series 2003A Certificates of Participation have a put on August 1, 2008, and on that date the certificates will be called and new variable rate certificates will be issued and will be subject to the same basis risk as the Series 2002A and 2002B Certificates of Participation.

Termination Risk – The District's swap agreements do not contain any out-of-the ordinary termination events that would expose it to significant termination risk. In keeping with market standards the District or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. The District views such events to be remote at this time. If at the time of the termination a swap has a negative value, the District would be liable to the counterparty for a payment equal to the fair value of each swap.

12. DEBT SERVICE

The amount available for debt service consists of resources from the Debt Service Funds legally required to be used for debt service until the related debt is extinguished:

Categories	Amounts
Reserved for Payment of State Board of Education and Capital Outlay Bonds	$ 2,769,084.95
Designated for Payment of District Bond Funds	62,837,299.26
Reserved for Other Debt Service	16,931,335.23
Total Available in Debt Service Funds	**$82,537,719.44**

All certificates of participation lease payments and all other amounts required to be paid by the School Board under the various Series under the Master Lease and all other Leases are made from legally available funds appropriated for such purpose by the School Board. The substantive portion for these payments is provided by the Local Optional Millage Levy on ad valorem property. Separate Lease Payment Accounts are established for each series of Certificates issued under the Trust Agreement. Lease payments are due under the Master Lease on an all-or-none basis and are payable on a parity basis solely from legally available funds appropriated by the School Board for such purpose. Such payments are normally transferred to the Trustee 15 days before lease payments are due.

13. ESTIMATED LIABILITY ON INSURANCE RISKS AND PENDING CLAIMS

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 District retains some risk of loss (self-insures) for certain risks as follows:

Type	Risk Retention/ Deductible	Coverage after Retention/Deductible
Workers' Compensation	$1,000,000	Statutory/$1,000,000
General, Fleet Liability, and Errors and Omissions	$100,000/$200,000	$500,000 per occurrence, $3,250,000 annual aggregate
Property	4 percent of affected property value for hurricanes, subject to a per loss deductible of $25,000,000; $500,000 per incident for all other perils.	$250,000,000 for all perils including windstorms, earthquakes and floods.
	$100,000 for each act of terrorism	$50,000,000 annual aggregate.

The School Board has a fully-insured Health Insurance Program for eligible employees and retirees. The health insurance provider for the 2006-07 fiscal year was United Healthcare Point of Service (POS), Health Maintenance Organization (HMO) and Neighborhood Health Partnership (NHP) HMO. As of January 1, 2007, the School Board paid a standard monthly premium amount of $405.29 (POS) or $370.55 (HMO 63) or $345.36 (HMO 62) or $344.61 for (NHP HMO) for the employee only coverage based upon their selection. Additionally, the Board offers an opt out provision for employees who can provide proof of insurance coverage. Employees who opt out will receive a monthly credit in the amount of $100.00 from which they can purchase an option consisting of various flexible benefits. Under the fully-insured plan, the District remits premiums to the carrier for coverage of enrolled employees, retirees and dependents and no run-off is recognized beyond the premium payment.

Accordingly, liabilities for all retained risks are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District's estimated liability for self-insured losses was determined by an independent actuarial valuation performed as of June 30, 2007. Liabilities, as determined by the actuary, include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The portion of the liability that is due and payable at June 30, 2007, is recorded in the General Fund and the remaining portion is recorded in the government-wide financial statements. Liability for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumptions of 5 percent. Settlements have not exceeded coverages for each of the past three fiscal years.

A liability amount of $127,237,562.71 was actuarially determined to cover reported and unreported insurance claims payable at June 30, 2007. It is estimated that of the current portion, $2,971,562.71 is due and payable at June 30, 2007, and $32,933,000 is due within a year. The remaining $91,333,000 will be due in future years.

Long-term liabilities for insurance risk and pending claims are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by GASB Statement No. 30, *Risk Financing Omnibus*, at a 50 percent confidence level, which is the expected level of claims. The long-term portion of the liabilities on an undiscounted basis was $136,622,000, $16,033,000, and $4,500,000 for workers' compensation, general liability, and fleet liability, respectively.

Changes in the balance of claims liabilities as of June 30, 2007, are as follows:

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2005-06	$119,083,704.31	$41,278,758.17	$ (33,626,023.17)	$126,736,439.31
2006-07	126,736,439.31	32,422,642.48	(31,921,519.08)	127,237,562.71

14. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities balances and activity for the year ended June 30, 2007, were as follows:

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 615,144,377.76 *	$ 173,115,527.40	$ 234,676,670.25	$ 553,583,234.91 **	$ 73,817,421.42
Certificates of Participation Payable	1,578,196,879.79	546,747,992.77 ****	56,047,243.70	2,068,897,628.86 *****	54,951,758.03
Obligations Under Capital Leases	65,336,471.28	39,805,451.92	7,988,862.32	97,153,060.88	10,354,538.69
Notes Payable		124,763,250.00		124,763,250.00	248,500.00
Estimated Insurance Claims Payable	126,736,439.31	36,398,562.71	35,897,439.31	127,237,562.71	35,904,562.71
Retirement Incentive Benefits Payable	7,038,398.12		1,778,480.40	5,259,917.72	350,000.00
Compensated Absences Payable	250,497,485.53	30,734,592.60	20,775,283.43	260,456,794.70	13,882,438.50
Total Governmental Activities	**$ 2,642,950,051.79**	**$ 951,565,377.40**	**$ 357,163,979.41**	**$ 3,237,351,449.78**	**$ 189,509,219.35**

* Includes ($7,230,000) adjustment for SBE Bonds to reflect the refunding of 1996A, 1997A, 1998A, and 2000A Capital Outlay Bonds as revise the Florida Department of Education.

** Includes unamortized premium in the amount of $13,922,741.30 less a deferred loss on the remarketing of $1,864,506.39.

*** Includes principal payments plus unamortized premium less unamortized deferred loss.

**** Includes the par value of COPs/QZABs issued in the amount of $521,774,392.00 plus unamortized premium of $25,477,949.75, less a defe loss on the remarketing of $504,349.01.

***** Exceeds the principal balance of $2,023,294,760.76 in Note 11 by $45,602,868.10 which represents the net unamortized premium less unamortized deferred charge on prior year COP refundings at June 30, 2007.

Payments for insurance claims, retirement incentive benefits, and compensated absences are paid by the General Fund. Capital leases mostly paid from capital projects funds.

15. STATE REVENUE SOURCES

A major source of the District's revenue is from the State, which provided approximately 39 percent of total revenues in the 2006-07 fiscal year. The following is a schedule of State revenue sources and amounts:

EXHIBIT - I (Continued)
MIAMI-DADE COUNTY
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Source	Amount
Florida Education Finance Program	$ 832,521,652.00
Categorical Educational Programs:	
Class Size Reduction Operating Funds	279,937,944.00
Instructional Materials	34,686,915.00
Transportation	29,843,781.00
School Recognition	21,476,233.00
Voluntary Prekindergarten	15,644,707.11
Excellent Teaching	7,169,993.21
Florida Teachers Lead	5,959,785.00
Other	1,131,230.99
Workforce Development Program	105,171,011.00
Gross Receipts Tax (Public Education Capital Outlay)	41,442,604.00
Class Size Reduction Construction	25,496,340.00
Discretionary Lottery Funds	14,038,335.00
Capital Outlay and Debt Service Withheld for SBE/COBI Bonds	12,471,223.71
Food Service Supplement	2,722,918.63
Motor Vehicle License Tax (Capital Outlay and Debt Service)	2,245,896.64
Adults with Disabilities	2,232,136.00
Interest on Undistributed CO & DS	367,842.46
CO & DS Withheld for Administrative Expense	224,118.58
Mobile Home License Tax	189,133.84
SBE/COBI Bond Interest	89,699.52
Miscellaneous	28,784,347.21
Total	**$1,463,847,847.90**

16. PROPERTY TAXES

The 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 taxes are assessed by the County Property Appraiser and are collected by the County Tax Collector.

Property values are assessed as of January 1 of each year. Taxes are levied after the millage rate is certified in September. 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 levied. State law provides for enforcement of collection of real property taxes. First, interest-bearing tax certificates are sold at public auction to recover delinquent taxes. Finally, if the tax certificates are not paid with accrued interest by the property owner, the purchaser of the tax certificate is entitled to take possession of the property. Accordingly, substantially all of the taxes assessed for calendar year 2006 have been recognized during the fiscal year ended June 30, 2007.

The State Constitution limits the nonvoted levying of taxes by the School Board to 10 mills ($10.00 per thousand of assessed valuation). State law prescribes the upper limit of nonvoted taxes to be levied on an annual basis with the 2006-07 fiscal year limit being 7.691 mills, which includes 2.0 mills for the Capital Projects Funds. The total adjusted assessed value for calendar year 2006 on which the fiscal year 2006-07 levy was based was $209,181,329,695.

Actual property taxes collected and reflected in the table below totaled 96.7 percent of taxes levied, including collections from prior years' tax levies. The Miami-Dade County Tax Collector is not required by law to make an accounting to the District of the difference between taxes levied and taxes collected. However, because discounts are allowed for early payment of taxes and because of other reasons for noncollection, the District budget anticipates that 95 percent of taxes levied will be collected.

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

		Taxes		
	Millages	Levied	Collected	Uncollected (Net)*
GENERAL FUND				
Nonvoted School Tax:				
Required Local Effort	5.006	$ 1,047,162,000	$ 1,014,711,000	$ 32,451,000
Discretionary Local Effort	0.685	143,289,000	138,849,000	4,440,000
	5.691	$ 1,190,451,000	$ 1,153,560,000	$ 36,891,000
CAPITAL PROJECT FUNDS				
Nonvoted Tax:				
Local Capital Improvements	2.000	$ 418,363,000	$ 402,181,000	$ 16,182,000
DEBT SERVICE FUNDS				
Voted Tax:				
Debt Service				
- General Obligation Bonds	0.414	$ 86,601,000	$ 83,331,000	$ 3,270,000

The District calculates, based on prior experience, an estimate of uncollectible taxes to apply against the property tax receivable in the government-wide financial statements. For the 2006-07 fiscal year, the District considered $65.3 million or 3.85 percent of levied taxes as uncollectible.

*Uncollected taxes reflected above differs from taxes receivable since taxes uncollected as of June 30, 2007, from prior year's levies are not included.

17. RETIREMENT BENEFITS

The School Board provides retirement benefits to its employees through the Florida Retirement System and the Supplemental Early Retirement Plan, as well as State approved post employment benefits in the form of health insurance premiums.

Florida State Retirement Programs

The School Board participates in the Florida Retirement System (the "System"), a cost-sharing multiple-employer public employee retirement system, which is employee noncontributory and is totally administered by the State of Florida, Department of Management Services, Division of Retirement. The District's payroll for employees covered by the System for the year ended June 30, 2007, was approximately $1.98 billion; the District's total payroll was over $2.0 billion.

Prior to September 2002 all Florida Retirement System plans were defined benefit plans. Since September 2002 all covered employees may opt to participate in a defined contribution plan established by the State of Florida. Participating employers pay to the System a single rate established annually by the Florida Legislature. Other than a one year vesting requirement, the State has established no restrictions which would affect when an employee participating in the defined contribution plan may retire. Only restrictions imposed by the Internal Revenue Service would apply.

All eligible employees participating in the defined benefit plan are those who were hired after 1970; and, those employed prior to 1970 who elected to be enrolled are covered by the System. A very small number of employees hired prior to 1970 and not electing to enroll in the Florida Retirement System are covered by various contributory plans. Benefits under the Florida Retirement System Pension Plan vest after six years of service. District employees who retire at or after age 62 with six years of credited service, or with thirty years of service regardless of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to their average final compensation multiplied by the total percentage value of their service time. Average final compensation is the average annual earnings of each employee’s five highest fiscal years. The number of years of credited service is multiplied by a percentage value from 1.60 - 3.00 percent, depending on the employee's length of service, membership class, and age. The System also provides for death and disability benefits. These benefit provisions and all other requirements are established by Florida Statutes.

Class or Plan	Percent of Gross Salary: Employee	Percent of Gross Salary: Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employee's Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

There were 1,546 District participants in the Public Employee Optional Retirement Program (PEORP) during the 2006-07 fiscal year. The District's contributions to the System are equal to the annual required contributions for each year as follows:

	June 30, 2005	June 30, 2006	June 30, 2007
Florida Retirement System	$ 134,594,000	$ 150,226,000	$ 198,710,000
Teacher's Retirement System - Plan E: Employer	$ 129,000	$ 86,000	$ 64,000

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the System. The latest available report is as of July 1, 2006. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Supplemental Early Retirement Plan

In addition to participating in the System, the School Board established an early retirement plan on July 1, 1984. The plan is a single-employer, non-contributory defined benefit plan and is administered by an independent trustee and plan assets are managed by the District. The School Board closed the Supplemental Early Retirement Plan (The Plan) to new employees on July 1, 2003, with no additional employees vesting after July 1, 2000. The Plan was established in order to supplement an early retiree's benefits by the amount of reduction imposed under the early retirement provisions of the Florida Retirement System. The plan provides supplemental income for those employees who retired between the ages of 55 to 61 and who had completed at least 25 years, but not more than 28 years of creditable service and have applied for retirement. Payments under the Plan are equal to the difference in monthly retirement income for the participant under the System between the retirement benefit based on average final compensation, as defined above, and creditable service as of the member's early retirement date and the early retirement benefit under the System. Benefits are subject to an annual 3 percent cost of living adjustment. These benefit provisions and all other requirements are established by Section 1012.685, Florida Statutes.

Significant accounting policies related to the basis of accounting and method of asset valuation are disclosed in Note 1. Investment disclosures related to the Pension Trust Fund are in Note 3.

The total number of retirees and beneficiaries of deceased retirees currently receiving benefits is 698, averaging $477.63 per month. No benefits are provided for termination of employment prior to retirement.

The School Board's funding policy provides for actuarially determined periodic contributions sufficient to pay the benefits provided by this plan when they become due. Plan members do not contribute to the Plan. Total contributions to the Plan for the 2006-07 fiscal year of $2,976,919 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2007.

Valuations to determine the Plan's contribution requirements are performed every other year at the beginning of the fiscal year in odd years. The most recent funding valuation was performed July 1, 2007. To determine the Plan's funding requirements, the Entry Age Actuarial Cost Method was used. The actuarial cost method is closed group.

Methodology for determination of the contribution requirement has been updated to reflect assumptions for cost of living increases instead of assumed growth of future payroll since there is no longer covered payroll under the Plan.

It is intended that the unfunded actuarial accrued liability (UAAL) be amortized over a 9-year period from July 1, 2005, through annual contributions expressed as a level percentage of each year's assumed cost of living increase of 3 percent each year. Assets are valued at fair value, and the investment rate of return is assumed to be 6.75 percent.

An analysis of funding progress is presented below:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$2,976,919	100	$ -0-
2006	2,465,849	100	-0-
2005	2,359,664	100	-0-
2004	2,387,735	100	-0-
2003	2,284,912	100	-0-
2002	1,215,820	100	-0-

The Plan is included as a Pension Trust Fund in the accompanying financial statements. Contributions are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value and are comprised of the following at June 30, 2007:

	Fair Value
Bonds:	
Federal Home Loan Bank Bonds	$ 993,125.00
CitiGroup Inc. Medium Term Notes	484,935.00
Daimler Chrysler NA Holding Company Guarantee	1,032,090.00
Ford Motor Credit Company Senior Note	1,957,700.00
General Motors Corp. Acceptance Notes	996,718.75
HouseHold Finance Company Notes	1,038,030.00
Lehman Brothers Holdings, Inc. Notes	1,066,320.00
SunTrust Bank Medium Term Notes	913,736.30
Total Bonds	8,482,655.05
Equity Mutual Funds	18,421,546.72
Total Investments	**$26,904,201.77**

Schedule of Funding Progress:

Fiscal Year	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
2002	$ 50,971,000	$27,991,000	$ 22,980,000	54.92	$1,489,566,000	1.54
2003	50,891,000	28,513,000	22,378,000	56.03	N/A*	N/A*
2004	48,879,000	30,750,000	18,129,000	62.91	N/A*	N/A*
2005	48,425,000	30,638,000	17,787,000	63.27	N/A*	N/A*
2006	48,046,000	31,493,000	16,553,000	65.55	N/A*	N/A*
2007	46,247,000	35,079,000	11,168,000	75.85	N/A*	N/A*

* The School Board has terminated eligibility for the Supplemental Early Retirement Plan for eligible employees who have not elected to retire under its provision by July 1, 2003.

The Information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates incurred.

Schedule of Employer Contributions:

Fiscal Year	Annual Required Contribution	Employer Contributions	Total Contributions	Employer Contributions as Percentage of Total Contributions
2002	$ 1,215,820	$ 1,215,820	$ 1,215,820	100
2003	2,284,912	2,284,912	2,284,912	100
2004	2,387,735	2,387,735	2,387,735	100
2005	2,359,664	2,359,664	2,359,664	100
2006	2,465,849	2,465,849	2,465,849	100
2007	2,372,703	2,976,919	2,976,919	100

Other Postemployment Benefits

As authorized by the Board, employees who retire in the first year of their eligibility under the Florida Retirement System or who retired under the Early Retirement Plan can receive up to $1,200 per year as reimbursement for health insurance cost paid until they reach 65 years of age or until they become eligible for Medicare or Social Security disability. Approximately 326 retirees will receive in October 2007, an estimated $348,266 in premium reimbursements for the year ended June 30, 2007.

From 1991 through 2005, the District offered retirement incentive programs in an effort to reduce salary costs. The programs include enhanced insurance benefits up to the Board's annual monthly contribution and payments of accrued sick leave at an enhanced rate. Enhanced insurance benefits offered to eligible employees, as defined under the provision of each program, consist of health and term life insurance subsidies for up to ten years. Benefit payments accrued under these programs during fiscal 2007 totaled $1,778,480.40. Expenditures for the retirement incentive program are recognized in the General Fund each year on a pay-as-you-go basis. The estimated liability for retirees receiving benefits of $5,259,917.72 is fully accrued and included in the government-wide financial statements.

18. COMMITMENTS AND CONTINGENCIES

- **Commitments**

As part of its capital outlay program, the District has entered into various construction commitments totaling $715,982,014.73 as of June 30, 2007 (see Note 4).

The District leases certain facilities and equipment under various cancelable, operating lease agreements. The total rent expense for fiscal year ended June 30, 2007 under these leases was approximately $6,500,000.

- **Contingencies**

Florida Education Finance Program and Federal, State, and Local Grants

The School Board receives funding from the State of Florida under the Florida Education Finance Program, which is based in part on a computation of the number of students attending different types of instruction ("FTE" Computation). The accuracy of data compiled by individual schools supporting the FTE Computation is subject to audit by the State and, if found to be in error, could result in refunds to the State or in decreases to future funding allocations. Additionally, the School Board participates in a number of Federal, State and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the State due to errors in the FTE Computation or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the District.

- **Litigation**

The School Board is a defendant in numerous lawsuits as of June 30, 2007. In the opinion of management, the District estimated aggregate liability, with respect to probable losses, has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management and District legal counsel that the amount of losses resulting, if any, from the above-mentioned litigation in excess of the amount accrued as of June 30, 2007, would not be material to the financial position of the District.

19. SUBSEQUENT EVENTS

State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool

As discussed in Note 3, at June 30, 2007, the District had $294,630,828.45 invested in the State Board Title of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the District and the State Board of Administration. The District had $897.89 invested in the Pool as of March 18, 2008.

Refunding Certificates of Participation, Series 2008A

On December 12, 2006, the District sold $233,400,000 in Forward Refunding Certificates of Participation, Series 2008A. These certificates were sold for the principal purpose of providing funds sufficient to current refund on a forward basis a portion of the outstanding Series 1998A and 1998C Certificates of Participation in order to refinance a portion of the cost of acquisition, construction, installation, and equipping of the Series 1994A, 1996A, and 1996B-1 facilities. The School Board anticipates that the 2008A certificates will be issued and delivered on or about June 19, 2008. Interest is payable on February 1 and August 1 of each year, commencing August 1, 2008. The forward refunding, which was done in advance to take advantage of favorable market conditions in 2006 will provide gross savings of $11,015,225 and a net present value economic savings of $8,557,284.91, with a true interest cost of 4.31 percent and interest rate of 5 percent.

Tax Anticipation Notes

On September 27, 2007, the District sold $220,000,000 in Tax Anticipation Notes. The Notes, issued for the payment of operating expenditures incurred prior to the receipt of the ad valorem taxes levied and collected for operating purposes for the fiscal year commencing July 1, 2007, will mature on October 3, 2008.

The Notes are special limited obligations of the District, and are secured as to principal and interest by a pledge of certain ad valorem taxes levied for operating purposes. The District intends to deposit sufficient money or permitted investment into a Sinking Fund, which shall be used for repayment of principal and interest, no later than April 1, 2008.

Enterprise Resource Planning System

At the Board meeting of July 11, 2007, the School Board authorized the Superintendent of Schools to enter into a contractual agreement with SAP Public Services, Inc., and Deloitte Consulting LLP to purchase and implement an Enterprise Resource Planning System (ERP). The estimated $85.4 million project will provide an integrated business solution as part of the District's Comprehensive Information Technology Blueprint. On October 5, 2007, through an extension of the Master Equipment Lease/Purchase Agreement, financing for the project was provided.

Swap Agreements

As described in Note 11, the District had three interest rate swap agreements at June 30, 2007. The District's Series 2002A, Certificates of Participation Swap Agreement, on March 19, 2008, has a negative fair value of $5,686,000, a decline of $6,471,762 from the June 30, 2007, value. Similarly, the District's Series 2002B, Certificates of Participation Swap Agreement, on March 19, 2008, has a negative fair value of $5,701,000, a decline of $6,489,062 from the June 30, 2007, value. Also, the District's Series 2003A, Certificates of Participation Swap Agreement, on March 19, 2008, has a negative fair value of $5,131,000, a decline of $6,092,021 from the June 30, 2007, value.

EXHIBIT - J
MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 2,530,000.00	$ 1,994,899.00	$ 1,994,899.30	$ 0.30
Federal Through State	16,237,400.00	16,345,207.00	16,500,765.47	155,558.47
State	1,419,062,866.00	1,392,873,943.00	1,378,960,220.94	(13,913,722.06)
Local	1,233,536,795.00	1,235,767,318.00	1,235,767,317.64	(0.36)
Total Revenues	2,671,367,061.00	2,646,981,367.00	2,633,223,203.35	(13,758,163.65)
Expenditures				
Current - Education:				
Instruction	1,907,051,159.00	1,792,519,239.68	1,773,594,721.17	18,924,518.51
Pupil Personnel Services	130,848,898.00	137,253,460.56	133,883,304.63	3,370,155.93
Instructional Media Services	47,327,589.00	47,006,243.68	46,031,000.42	975,243.26
Instruction and Curriculum Development Services	31,287,013.00	33,289,984.01	32,136,007.04	1,153,976.97
Instructional Staff Training Services	15,666,441.00	17,533,844.54	17,253,994.28	279,850.26
Instruction Related Technology	32,662,729.00	36,495,824.17	34,570,038.71	1,925,785.46
Board of Education	7,423,191.00	6,721,167.00	6,579,208.04	141,958.96
General Administration	10,701,101.00	11,103,311.07	10,753,723.14	349,587.93
School Administration	170,233,226.00	180,392,991.81	177,207,383.52	3,185,608.29
Fiscal Services	21,615,601.00	20,045,472.00	19,732,347.70	313,124.30
Central Services	35,165,393.00	70,459,080.72	66,505,026.46	3,954,054.26
Pupil Transportation Services	86,650,302.00	91,614,886.24	89,990,070.01	1,624,816.23
Operation of Plant	295,596,427.00	307,362,934.73	302,242,508.28	5,120,426.45
Maintenance of Plant	118,606,297.00	118,115,418.16	118,115,417.32	0.84
Administrative Technology Services	1,283,411.00	1,465,274.00	1,342,265.91	123,008.09
Community Services	34,041,147.00	40,522,589.07	39,791,828.50	730,760.57
Fixed Capital Outlay:				
Facilities Acquisition and Construction		78,418.13	78,418.13	
Other Capital Outlay		8,930,022.04	8,930,022.04	
Debt Service:				
Principal		1,071,299.33	1,071,299.33	
Interest and Fiscal Charges		367,398.06	367,398.06	
Total Expenditures	2,946,159,925.00	2,922,348,859.00	2,880,175,982.69	42,172,876.31
Deficiency of Revenues Over Expenditures	(274,792,864.00)	(275,367,492.00)	(246,952,779.34)	28,414,712.66
Other Financing Sources (Uses)				
Transfers In	148,905,643.00	153,857,307.00	153,857,306.89	(0.11)
Transfers Out		(200,000.00)	(200,000.00)	
Proceeds from Sale of Capital Assets		1,230,669.00	1,230,669.34	0.34
Proceeds from Loans/Leases		1,481,334.00	1,481,334.49	0.49
Insurance Loss Recoveries		190,310.00	8,824.94	(181,485.06)
Total Other Financing Sources (Uses)	148,905,643.00	156,559,620.00	156,378,135.66	(181,484.34)
Net Change in Fund Balances	(125,887,221.00)	(118,807,872.00)	(90,574,643.68)	28,233,228.32
Fund Balances, July 1, 2006	195,023,440.00	195,023,440.00	195,023,440.36	0.36
Adjustment to Restate Beginning Fund Balances		32,933,000.00	32,933,000.00	
Fund Balances, July 1, 2006, Restated	195,023,440.00	227,956,440.00	227,956,440.36	0.36
Fund Balances, June 30, 2007	$ 69,136,219.00	$ 109,148,568.00	$ 137,381,796.68	$ 28,233,228.68

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

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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 Miami-Dade County District School Board as of and for the fiscal year ended June 30, 2007, 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 Miami-Dade 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 noted certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** and the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,

David W. Martin, CPA
March 24, 2008

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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, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - 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 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, 2007. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 through 5.

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 the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 and 3, to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the deficiencies described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD*** to be material weaknesses.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,

David W. Martin, CPA
March 24, 2008

MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550(2)	None	$ 5,555,293.07	$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	20,676,631.35	
National School Lunch Program	10.555	300	65,161,149.01	
Summer Food Service Program for Children	10.559	323, 324, 325	1,283,181.39	
Total Child Nutrition Cluster			87,120,961.75	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	None	104,390.75	
Total United States Department of Agriculture			92,780,645.57	
United States Department of Justice:				
Direct:				
Gang-Free Schools and Communities -				
Community-Based Gang Intervention	16.544	N/A	98,046.31	
Bulletproof Vest Partnership Program	16.607	N/A	4,833.55	
Public Safety Partnership and Community Policing Grants	16.710	N/A	1,434.00	
Gang Resistance Education and Training	16.737	N/A	210,752.23	
Total United States Department of Justice			315,066.09	
National Science Foundation:				
Direct:				
Education and Human Resources	47.076	N/A	192.91	
Indirect:				
University of Miami:				
Education and Human Resources	47.076	ESI-0353331	89,238.55	
Total National Science Foundation			89,431.46	
United States Environmental Protection Agency:				
Direct:				
Surveys, Studies, Investigations, Demonstrations and				
Special Purpose Activities Relating to the Clean Air Act	66.034	N/A	674.18	
Clean School Bus USA	66.036	N/A	22,200.90	
Total United States Environmental Protection Agency			22,875.08	
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	83,242.42	
Federal Pell Grant Program	84.063	N/A	2,024,449.67	
Total Student Financial Assistance Cluster			2,107,692.09	
Impact Aid	84.041	N/A	6,806.83	
Magnet Schools Assistance	84.165	N/A	3,818,743.43	
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	2,182,723.71	
Fund for the Improvement of Education	84.215	N/A	4,321,005.63	
Bilingual Education - Comprehensive School Grants	84.290	N/A	68.44	
Foreign Language Assistance	84.293	N/A	60,260.58	
Transition to Teaching	84.350	N/A	100,818.06	
Voluntary Public School Choice	84.361	N/A	3,112,229.21	
School Leadership	84.363	N/A	592,854.67	
Total Direct			16,303,202.65	
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	262, 263	69,972,929.67	
Special Education - Preschool Grants	84.173	266, 267	1,426,851.03	
Total Special Education Cluster			71,399,780.70	
Adult Education - State Grant Program	84.002	191, 193	4,871,816.87	
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	159,471,039.20	2,630,852.00
Migrant Education - State Grant Program	84.011	217	1,101,706.45	
Vocational Education - Basic Grants to States	84.048	151	7,050,135.57	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	2,340,389.31	
Education for Homeless Children and Youth	84.196	127	154,907.89	
Even Start - State Educational Agencies	84.213	219	473,811.02	
Tech-Prep Education	84.243	157	369,918.61	
Charter Schools	84.282	298	1,936,164.40	1,714,818.77
Twenty-First Century Community Learning Centers	84.287	244	2,233,447.65	298,339.00
State Grants for Innovative Programs	84.298	113	614,827.95	111,000.00
Education Technology State Grants	84.318	121, 122	2,614,369.44	
Comprehensive School Reform Demonstration	84.332	128, 129	341,863.35	
Reading First State Grants	84.357	211	11,430,780.01	74,023.00
Voluntary Public School Choice	84.361	299	216,401.45	
English Language Acquisition Grants	84.365	102	16,126,874.82	
Mathematics and Science Partnerships	84.366	235	222,715.71	
Improving Teacher Quality State Grants	84.367	224, 225	22,514,133.73	
University of Miami - School of Education:				
Bilingual Education - Professional Development	84.195	T195N020106	100,902.54	
Barry University:				
Even Start - State Educational Agencies	84.213	None	285,350.62	
Total Indirect			305,871,337.29	4,829,032.77
Total United States Department of Education			322,174,539.94	4,829,032.77

MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Direct:				
Physical Education Study for Disabled Youth	None	N/A	$ 30,657.45	$
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243(3)	N/A	179,608.37	
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938(4)	N/A	343,888.79	
Total Direct			554,154.61	
Indirect:				
University of Miami - Rosenstiel:				
Environmental Health	93.113	R25-E510713	75,465.88	
Florida Department of Education:				
Refugee and Entrant Assistance - Discretionary Grants	93.576	137	326,294.64	
Florida Department of Children and Families:				
Refugee and Entrant Assistance - Discretionary Grants	93.576(5)	LK604, LK704	3,955,758.58	
Miami-Dade Community Action Agency:				
Head Start	93.600	None	136,978.10	
Total Indirect			4,494,497.20	
Total United States Department of Health and Human Services			5,048,651.81	
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	232, 233, 234	186,417.80	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Hazard Mitigation Grant	97.039	03-HM-6L-11-23-03-001	664.77	
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	8,394.54	
Total United States Department of Homeland Security			9,059.31	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	1,988,092.47	
National Aeronautics and Space Administration:				
Direct:				
NASA Explorers School Program	None	N/A	5,476.95	
Indirect:				
Science, Engineering, Mathematics and Aerospace Agency:				
Aerospace Academy	None	NAS-0213-MDC	120,367.90	
Total National Aeronautics and Space Administration			125,844.85	
Total Expenditures of Federal Awards			$ 422,740,624.38	$ 4,829,032.77

Notes:

(1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2006-07 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled and are in material agreement with the amounts recorded in th District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - Food Donation. Represents the amount of donated food, including cash received in lieu of donated food, used during the 2006-07 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) Substance Abuse and Mental Health Services Projects of Regional and National Significance. Expenditures include $179,608.37 for grant number/program year U79 SP13249/01.

(4) Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems. Expenditures include $343,888.79 for grant number/program year U87 CCU422648/04.

(5) Refugee and Entrant Assistance - Discretionary Grants. Expenditures include $2,476,478.94 for contract grantor number LK604 and $1,479,279.64 for contract grantor number LK704.

MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SUMMARY OF AUDITOR'S 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 Miami-Dade County District School Board for the fiscal year ended June 30, 2007:

- An unqualified opinion was issued on the financial statements.
- No significant deficiencies involving the internal control and its operation were reported.
- No noncompliance was reported which is material to the financial statements.
- Significant deficiencies in internal control over major Federal programs were reported, although the significant deficiencies were not considered to be material weaknesses.
- 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: Adult Education – State Grant Program (CFDA No. 84.002), Title I Grants to Local Educational Agencies (CFDA No. 84.010), Vocational Education – Basic Grants to States (CFDA No. 84.048), Magnet Schools Assistance (CFDA No. 84.165), Fund for the Improvement of Education (CFDA No. 84.215), and Refugee and Entrant Assistance – Discretionary Grants (CFDA No. 93.576).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was $3,000,000.
- The low risk entity threshold was applied.

MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Adult Education – State Grant Program (CFDA No. 84.002)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $175,855

Allowable Costs/Cost Principles - Vendor Payments.

The United States Office of Management and Budget (OMB) *Circular A-87*, Attachment A, Section C.1, provides in part that, to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, be authorized or not prohibited under State or local laws or regulations, conform to any limitations or exclusions set forth in the Federal laws and terms and conditions of the Federal award as to types or amounts of cost items, and be adequately documented. Adequate supporting documentation for costs is also necessary for grantees to properly manage and monitor grant operations. Title 34, Section 80.40(a), Code of Federal Regulations, requires the following:

- Grantees are responsible for managing the day-to-day operations of grant and subgrant activities.
- Grantees must monitor grant and subgrant supporting activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.
- Grantee monitoring must cover each program, function, or activity.

During the 2006-07 fiscal year, District expenditures for the Adult Education – State Grant Program included $500,538 for professional and technical services.

Our audit tests included a review of payments made to five vendors for professional and technical services related to Adult Basic Education. Educational services funded by the program included family literacy, English, civics, community technology, and adult students' tutoring. District records indicated that these vendors were paid a total of $308,440 during the 2006-07 fiscal year. We noted eight payments, totaling $175,855, which were supported by invoices, memorandums, and purchase orders; however, these documents did not show the number of hours or days worked and the actual services rendered.

Adequate supporting documentation for costs is necessary to properly manage and monitor grant activities, to evidence that Federal funds were properly spent for grant activities, and to ensure conformity with the terms and conditions of the Federal award as to the types or amounts of costs. Since the District did not maintain sufficient adequate documentation on Federal grant moneys spent, total vendor payments of $175,855 made for professional and technical services represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should document to the grantor (Florida Department of Education) the allowability of the questioned costs, totaling $175,855, or the moneys should be restored to the program. Also, the District should enhance procedures to ensure that all payments are adequately supported by detailed documentation and that Federal funds are properly managed, monitored, and spent on grant activities.

District Contact Person: Iraida R. Mendez-Cartaya, Administrative Director of Intergovernmental Affairs and Grant Administration

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Adult Education – State Grant Program (CFDA No. 84.002)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Procurement – Contract Administration.

Improvements were needed in the District's contract administration procedures to include certain required provisions in purchase order contracts funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain provisions, including the following:

- For contracts in excess of $10,000, a provision for termination for cause and convenience by the grantee or the subgrantee, including the manner by which it will be affected and the basis of settlement.
- Access to records of the contractor which are directly pertinent to the contract.
- Retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

Our audit tests of Adult Education Program expenditures included a review of eight payments made to five vendors, totaling $175,855, for professional and technical services. These payments, which ranged from $18,875 to $24,175, were supported by purchase orders which did not contain the contract provisions required by the above regulation. Failure to execute contracts that include the required Federal provisions may result in the disallowance of grant expenditures by the grantor.

Recommendation: The District should enhance its contract administration procedures to ensure that expenditures funded with Federal moneys are made pursuant to contracts that include the required contractual provisions.

District Contact Person: Iraida R. Mendez-Cartaya, Administrative Director of Intergovernmental Affairs and Grant Administration

Federal Awards Finding No. 3:
Federal Agency: United States Department of Education
Award Number: V215L052075
Program: Fund for the Improvement of Education (CFDA No. 84.215)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $106,813.90

Activities Allowed or Unallowed.

The United States Office of Management and Budget (OMB) *Circular A-87*, Attachment A, Section C.1, provides in part that, to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, be authorized or not prohibited under State or local laws or regulations, and be adequately documented. Adequate supporting documentation for costs is also necessary for grantees to properly manage and monitor grant operations.

Title 34, Section 74.25(c)(2), Code of Federal Regulations, requires that the grantees or subgrantees obtain the prior approval of the awarding agency for any programmatic changes, such as changes in key persons specified in the application or award document. Our review of the Fund for the Improvement of Education grant award notification and the grant application for the period of July 1, 2005, through June 30, 2010, disclosed that two separate individuals were listed as the program's project director. During our review of the personnel records, we noted that neither person listed was paid to perform such duties. Further review of personnel records disclosed that the District paid another employee the sum of $106,813.90 during the 2006-07 fiscal year, to perform as the program's project director. However, District records did not evidence that the required United States Department of Education (USDOE) approval was obtained for this employee to perform this function. Since the required approval from the Federal awarding agency was not obtained by the District for programmatic changes, the salary payments made to the above employee, in the amount of $106,813.90, for the position of the program's project director, represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should document to the grantor (United States Department of Education) the allowability of the questioned costs, totaling $106,813.90, or the moneys should be restored to the program.

District Contact Person: Iraida R. Mendez-Cartaya, Administrative Director of Intergovernmental Affairs and Grant Administration

Federal Awards Finding No. 4:
Federal Agency: United States Department of Education and United States Department of Health and Human Services
Award Number: V215L052075 (CFDA No. 84.215)
Pass-Through Entity: Florida Department of Children and Families (CFDA No. 93.576)
Program: Fund for the Improvement of Education (CFDA No. 84.215) and Refugee and Entrant Assistance – Discretionary Grants (CFDA No. 93.576)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Matching, Level of Effort, Earmarking.

The United States Office of Management and Budget (OMB) *Circular A-133* provides for recipients to submit performance reports at least annually which contain a comparison of actual accomplishments with the goals and objectives established for the period and reasons why the goals were not met, if applicable, and other pertinent information.

Fund for the Improvement of Education

The grant documents for the Fund for the Improvement of Education program provide for the assessment of Smaller Learning Communities (SLC) on an annual basis, whereby assessments are made of participating students' achievement and an evaluation of the implementation process at participating schools is performed. Various quantitative measures are used to assess student achievement, such as, performance in the Florida Comprehensive Achievement Test (FCAT), graduation rates, attendance, referral rates, and disciplinary actions. The overall objectives established for the program at the ten participating schools included: increase student achievement, increase the graduation rate, improve the school culture, and close the achievement gap. In order to satisfy these objectives, the District contracted with an independent education evaluation team to conduct and document program assessments.

FCAT scores, in general, are used to measure student achievement in the areas of reading, mathematics, writing, and science. These FCAT scores are broken down into levels that indicate student success with the challenging content of the Sunshine State Standards (SSS), with Level 1 and 2 representing little and limited success, respectively. Our review of the reading and math scores assessments made for the ten participating schools as reported by the educational evaluation team in the *Smaller Learning Communities Cohort 5 - Annual Evaluation Report for Year 2 - 2006-07*, disclosed that certain performance measures were not attained as discussed below:

- On average for 2007, 53 percent of all 10th graders were performing at Level 1 for reading, which was not an improvement over 2006, where 44 percent of 9th graders (the 10th graders in 2007) were performing at Level 1. There was a slight improvement in Level 2 reading scores, where less students were performing at Level 2 in 2007 (26 percent) when compared to their same performance scores in the 9th grade (29 percent). Overall, the totals scored for Levels 1 and 2 indicated that 79 percent of all 10th graders had not reached proficiency on the reading portion of the FCAT in 2007. This was not an improvement over the prior year's performance where 73 percent of these same students (9th graders in 2006) had not reached proficiency.

- On average for 2007, 23 percent of all 10th graders were performing at Level 1 and 26 percent at Level 2 for mathematics. Both of these averages improved in comparison to 2006, where 27 percent of 9th graders (the 10th graders in 2007) performed at Level 1 and 28 percent performed at Level 2. Overall, the FCAT scores (Levels 1 and 2) for all 10th grade students slightly improved from 56 percent in 2006, to 48 percent in 2007. However, there remains a significant amount (48 percent) of all 10th grade students that have not yet reached proficiency on the math portion of the FCAT.

In terms of the remaining performance objectives (i.e., increase in graduation rates, improvement in school culture, and closure of the achievement gap), there are no data readily available at present to evaluate achievement since the program is only in its second year.

Refugee and Entrant Assistance – Discretionary Grants

The Refugee and Entrant Assistance – Discretionary Grant agreement requires the School Board to meet certain performance requirements, including that 60 percent of all enrolled students will have a cumulative average of 80 percent classroom attendance for all courses on a term basis. Our audit test disclosed that, for the fiscal year ended June 30, 2007, only 26.12 percent (instead of the required 60 percent) of all enrolled students had a cumulative average of 80 percent classroom attendance for all courses on a term basis. Since the level of effort requirement for this program was not satisfied, the District may be at risk of losing future grant funding. A similar finding was noted in the prior audit report.

Recommendation: The District should review its program objectives and requirements for the grants mentioned and make revisions as necessary to ensure that the grants' performance requirements are met; thus, ensuring that Federal moneys are properly used.

District Contact Person: Iraida R. Mendez-Cartaya, Administrative Director of Intergovernmental Affairs and Grant Administration

Federal Awards Finding No. 5:
Federal Agency: United States Department of Agriculture
Program: Food Donation (CFDA No. 10.550) and Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559)
Pass-Through Entities: Florida Department of Agriculture (CFDA No. 10.550) and Florida Department of Education (CFDA Nos. 10.553, 10.555, 10.559)
Finding Type: Noncompliance and Control Deficiency
Questioned Costs: Not Applicable

Program Administration. Non-Federal Finding Nos. 1 through 3 address the control deficiencies relating to the District's food service program. These control deficiencies include inventory recordkeeping deficiencies and lack of monitoring procedures over meal costs which impact the administration of the Federally-funded food service program. A similar finding was noted in our report No. 2007-159.

Recommendation: The District should strengthen procedures necessary to provide enhanced control over food service inventories and adequately monitor the operations of the food service program.

Contact Person: Ofelia San Pedro, Deputy Superintendent

MIAMI-DADE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

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 06-F1	Refugee and Entrant Assistance Discretionary Grants (CFDA No. 93.576) - Level of Effort	The District did not meet two out of four of the performance standards required by the grant.	Partially corrected.	Performance measure number (3) required that at least 60% of the clients have attendance of 80% or more. According to Refugee Services Performance Report for 2007, they had an overall attendance of 62% with only 19% having attendance of 80% or more. This can be attributed to several causes: • The clients are primarily recent immigrants and/or struggle with issues including transportation, fluctuating work schedules, and family responsibilities. • They enroll in or transfer between multiple courses in order to meet their changing needs. They are often counted absent from classes that they no longer plan to attend. • We were unable to properly calculate enrollment hours for extended courses (courses that extend beyond the term end date), so we were forced to use the maximum possible contact hours, which brought those clients' attendance rate down considerably. We are combating these issues with an increase in Targeted ESOL courses, which are limited to small groups of SAVES clients, so they can get the attention and assistance that they need. Additional training is being provided at the monthly meetings, where proper tracking of the client enrollment is being stressed. We are creating a new reporting method based on the end date of the course, which will allow us to report extended courses more accurately.Performance measure number (4) required that 40% of the total courses attempted result in "Documented Progress." With no clear guidelines as to what counted as Documented Progress, we chose to use completion points (LCPs and OCPs), a state-standardized performance benchmark, as the only measure. The average for the contract year was 26%, which is about the state average, but sometimes students "progress" to the next course without earning the LCP or OCP, and some courses do not even have the possibility of earning a completion point in only one term. Refugee Services has made the distinction more clear in the new contract by separating the two measures, and we are changing our reporting processes to capture this data. Also, we did not always have the data from extended courses at the time that we reported them. We are now only reporting courses that end within the term being reported, which will increase our ability to track these clients' progress as well.
Ernst & Young LLP 06-F2	Refugee and Entrant Assistance Discretionary Grants (CFDA No. 93.576) - Allowable Costs/Cost Principles	One out of 24 applicant files selected for testing could not be located.	Corrected with	The applicant in question was inadvertently flagged as a SAVES client in the mainframe system, and was therefore entered into the Refugee Services database in error. However, since the student was not actually a client, no folder was created for him at the school site. The schools have recently been given access to a regularly updated report that allows them to see exactly which of their students have been flagged. They are reminded at the monthly District meetings and through e-mail to check this and other reports, in order to verify that all SAVES clients and only SAVES clients are being reported and that they have current, complete folders for each of them. The Educational Specialists have been instructed to implement stronger review procedures during their regular school visits.

MANAGEMENT RESPONSE SECTION

Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Rudolph F. Crew, Ed.D.

March 17, 2008

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Thank you for providing us the opportunity to respond to the preliminary and tentative findings in your audit of Miami-Dade County District School Board's financial, operational, and Federal single audit for the Fiscal Year ended June 30, 2007.

For the most part, we were aware of many of the observations in your report and were taking actions to address them. In many instances, you will note in our detailed comments attached, that while we do not necessarily disagree with the factual data presented in your draft report, we disagree with your auditors' conclusions. This is particularly the case in issue areas relating to the management of our food services and capital programs, and particularly the use of capital outlay millage proceeds, an ongoing practice, which preceded your last audit. Please consider modifying your report accordingly.

Should you require additional information, please contact Ms. Carolyn Spaht, Chief of Staff, at 305-995-2940, Mr. Allen M. Vann, Chief Auditor, Office of Management and Compliance Audits, at 305-995-1436, or me at 305-995-1430.

Sincerely,

Rudolph F. Crew, Ed.D.
Superintendent of Schools

RFC:la
L1191 (R1830)
Attachments

cc: Ms. Carolyn Spaht
Mr. Allen M. Vann

Superintendent's Office • 1450 N.E. 2nd Avenue, Suite 912 • Miami, FL 33132 •
305-995-1430 • 305-995-1488(FAX) • Superintendent'sOffice@dadeschools.net

MIAMI DADE COUNTY PUBLIC SCHOOLS
DETAILED RESPONSE TO AUDITOR GENERAL REPORT

Finding No. 1: Monitoring of the Purchased Food Cost per Meal

We are pleased that the Auditor General did not report any instances of wasteful spending or inefficient use of food inventories. Internal controls over food usage are adequate to protect against material loss due to unauthorized use and to prevent unnecessary waste. The range in purchased food cost per meal reported by the Auditor General belies the fact that most of our schools fall within a much narrower range:

- 95% of our elementary schools' purchased food cost falls within the range of $.54-$.89.
- 86% of our Middle schools fall within a range of $.61 and $.89.
- 86% of our Senior high schools fall within a range of $.90 and $1.24.

It is not unusual for food costs per meal to vary. According to the National School Nutrition Association, the food cost per meal for the ten (10) largest school districts in the nation varies between $.79 and $3.35. Our purchased food cost per meal averages fall well below the largest 100 school districts' average food cost per meal of $1.30.

Notwithstanding, the Department of Food and Nutrition understands and monitors costs. There are many variables for purchased food cost per meal from school to school. We adhere to the USDA requirements and offer a choice of five items from the following groups: bread, meat or meat alternate, milk, and two servings of fruit, vegetable, or juice. Students may choose 3, 4 or all 5 items. Food costs will vary from school to school depending on how many items a student chooses on their tray.

In the middle and senior high schools, students are offered more pre-made and commercial food items such as sub sandwiches, pizza, and chicken wings, for example. These items may be more costly, but are offered within parameters to increase student participation at the secondary school level. Some schools offer these items daily, whereas some do not, thus contributing to variances within the grade level category.

Variances also result from different types of kitchen facilities. Newer school kitchens are designed to provide food court style service, which provides a wider range of choices and menu offerings which may result in higher average food cost, as is anticipated. Older kitchens may have limited storage and serving space increasing the need for pre-packaged or convenience items or limiting types of service. These variances are well known to us as they are accounted for in operational reviews conducted by Food and Nutrition.

Miami-Dade County Public Schools
Management Response (Continued)
Page 2 of 20

With respect to monitoring food cost variances, food service coordinators also conduct reviews at their assigned sites. Coordinators review menus, production records and physical inventory to ensure that only items on the menu are ordered in the appropriate amounts based on meal participation. During their reviews, the coordinators also monitor adherence to portion size requirements and students' preferences to ensure the efficient use of food supplies. Variances in facilities, meal schedules, Offer vs. Serve implementation and student preferences are considered and accounted for in all school food services programs. Further, food service administration is provided a summary of the Management Statistical Report when it is received four months following month end, to document and record the cost. Significant variances between actual purchased food cost per meal and the parameters are documented and appropriate action is taken as necessary, including inventory review, canceled food orders, transfers of overstock, and on site audits to ensure the efficient use of food supplies.

The Department of Food and Nutrition further monitors purchased food cost per meal by reviewing all schools' food orders weekly based on total meal participation, inventory on site, menu cycle and the storage and production capacity of the facility. An administrative approval of all food orders is completed prior to orders being finalized.

In conclusion, variances are not unusual and have been, and will be continually monitored and managed.

Finding No. 2: Purchased Food Inventory Turnover Rates and Related Reconciliations

The Department of Food and Nutrition is moving forward with the acquisition and implementation of a new food service software system. An extensive proof of concept and evaluation, and a four-month pilot test conducted at nine schools was completed to ensure the viability of the system.

Internal procedures have been enhanced to document food service coordinators review of inventories. Food and Nutrition Coordinators review each school sites monthly inventories, and communicate with assigned food service managers regarding appropriate inventory levels based on meal participation, facility capacity and menu cycle. Administrative staff is assigned on a weekly basis to review inventory, food orders and ensure inventory levels are appropriate. A monthly review of each school's inventory is completed and recorded by each food service coordinator. The percentage of fluctuations is noted on the report and corrective action is taken, if necessary. Food and Nutrition administrators conduct on-site visitations to review the accuracy of inventory counts taken by food service managers.

Miami-Dade County Public Schools
Management Response (Continued)
Page 3 of 20

Finding No. 3: Food Production and Menu Record

It is the responsibility of the food service manager to accurately complete the Menu and Production Records on a daily basis. Additional reporting criteria regarding Menu and Production Records were added to 2007-2008 school site food service operational review forms to ensure that food service coordinators review these records and provide technical assistance more often to food service managers in the accurate completion of this form. Reviews completed by the Food Service Coordinators are documented with food service managers and electronically submitted to principals to inform them of their findings and any corrective action required.

The Department of Food and Nutrition provides ongoing training in accuracy and completion of Menu and Production Records and coordinators review records to address differences between portions served versus point of sale counts. At each regional and district meeting conducted by the Food and Nutrition Department for food service managers, accurate and correct completion of the Menu and Production Record is reviewed. In addition, the Department requires quarterly submission of the Menu and Production Records by region, for review for the School Meal Initiative (SMI) and results of this review and any deficiencies in completion of the Menu Record are sent directly to the food service manager and principal. Further, food service administration summarizes the Management Statistical Report when it is received four months following month end, for review by school food service coordinators to document and record the cost.

Finding No. 4: Overtime Payments

Overtime represents about 1.5% of the $1.8 billion in total payroll expenditures in that year. Had additional staff been available to do all of the work which necessitated the use of overtime, $18.6 million would have been expended at the straight time rate, not including the other carrying cost of having additional staff on board. Thus, the incremental cost to the District, i.e., premium pay was actually $9.2 million and was unavoidable based on the District's needs and the staffing levels in the various departments. In many cases, overtime expenditures are offset by salary lapse from open positions, revenue derived from facility rentals and other reimbursements. In any event, overtime pay was properly authorized and approved by the Department heads.

Ninety percent of the overtime expenditures were incurred by the school sites, Facilities Operations – Maintenance, Transportation, and Police & District Security. The remaining 10% is in a number of bureaus, the top two are Information Technology and Financial Operations. Since four locations account for over ninety percent of the overtime payments last year, the following summaries highlight some of the justification of overtime at those locations.

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Facilities Operations – Maintenance - $9.3 million (33.4%)

- Between 1999 and 2007, the District's skilled trades workforce decreased by 10% (98 employees) while facilities requiring maintenance increased by 11.8% (4.5 million square feet) causing workload to increase by 23% for trade employees.
- Examples of unavoidable planned or preventive after-hours maintenance work include:
    - Air conditioning system coil and duct cleaning
    - Indoor air quality and mold remediation
    - Re-lamping and ballast replacement in instructional areas
    - Correction of health and safety deficiencies
- Examples of emergency service work resulting in overtime include:
    - Electrical systems and critical equipment damaged by lightning or outages
    - Broken water lines and plumbing fixtures
    - Fire and burglary calls at schools for emergency window/door boarding and/or repairs
    - Roof and other building leaks caused by storms or other adverse weather events
    - Traffic accidents causing damage to District facilities
    - Securing school facilities in advance of tropical storms or hurricanes
    - Performing damage assessment and repairs following tropical storms, hurricanes or other adverse weather events
- Alternate work schedules will continue to be implemented, where feasible, enabling trades personnel to work in schools during evenings and on Saturdays, thereby, avoiding interruptions to student instruction.

School Sites - $8.6 million (31.0%)

- Payments to police officers of $1.2 million to provide security at school and sporting events.

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- Extra duty pay for custodians primarily at the Adult Centers.

- Support of capital construction and/or maintenance projects at school sites after hours and weekends.

- Coverage due to open unfilled positions.

- Student supervision during tutorials, sporting events and other activities, testing and church services, etc.

- School events such as open house, proms, graduation, homecoming, senior breakfasts, PTA meetings, plays and concerts, responding to false alarms.

- District events such as town hall meetings, special events, parades, funerals, community outreach.

- Expenditures are offset by revenues generated from facility rentals (which totaled $2 million during FY2006-07), indirect cost recovery from grants, and charges to other locations.

Transportation - $5.3 million (18.9%)

- School bus drivers incurred $3.6 million of overtime, which was offset by $2.3 million generated from field trips.

- 156 positions have been reduced since 2005 (including 47 bus drivers, 57 bus aides, 6 route management specialists, 3 dispatchers, 3 forepersons, 4 center workers, 15 vehicle mechanics, 13 material handlers etc.)

- Some routes exceeded 8 hours per day (resulting in overtime, which is more cost-effective than adding another driver(s).

- Un-scheduled absences and emergency situations (such as bus accidents, mechanical failures, school openings etc.)

Police and District Security - $2.0 million (7.2%)

- 32 unassigned school sites result in officers overtime assignments.

- Extra duty pay for school events, i.e. night and community schools, graduations, football, other sporting events, PTA meetings, proms, senior events and MADD meetings.

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- District events, i.e., school board meetings, town hall meetings, special events, parades, funerals, and community outreach.
- Court time for patrol personnel, holdovers and late calls, callout, training, and mutual aid details.
- Expenditures are often offset by reimbursements from other locations.

Finding No. 5: Overtime Payments - Monitoring Procedures

The Office of Budget Management at least monthly documented overtime reviews for all locations and works with department heads including principals to make sure they are covering overtime and hourly costs with their budget. Managers are alerted when their individual employees exceed a predetermined threshold (currently $10,000) of overtime payments during a fiscal year and are required to provide an explanation for the overtime worked by each individual. To further strengthen the monitoring of overtime expenditures, the predetermined threshold will be lowered to $5,000. Notwithstanding, staff shortages often require overtime assignments resulting in some staff receiving overtime assignments exceeding the threshold. This is particularly true in job disciplines where there are severe shortages.

The monthly reviews are documented and feedback included in monitoring of the overtime. For the schools, staff send an e-mail to the principals and require that the principals cover the overtime with discretionary funds.

Our internal auditors have recently completed focus audits on payroll, including Plant Operations payroll, upon which they reported that overtime payroll recordkeeping and practices were unacceptably poor and inefficient. Our internal auditors are completing an audit focused on Police Department Overtime and will schedule additional focused audits at School Sites, Facilities Maintenance and the Department of Transportation. Controlling overtime expenditures is primarily a management function that will be performed and documented by Departmental managers and the Budget Department.

Finding No. 6: Fingerprinting Requirements

All staff have been previously screened and fingerprinted prior to employment with the District. In addition, all contracted employees have been screened using the new criteria.

The cost of re-screening and re-fingerprinting all non-instructional school employees is estimated to be $1.9 million. Although this is a mandate from the state, it is completely unfunded; therefore, has been deferred. With the District's declining revenue (estimated to be at least $150 million in fiscal year 2008-09), the District simply cannot

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afford to implement an unfunded mandate of this magnitude. If the District receives more revenue than anticipated, the re-fingerprinting will be a top priority.

Finding No. 7: Annual Facility Inspections

The District has established a new program to track the correction of fire, casualty and sanitation deficiencies. A Safety-to-Life Deficiency Index was developed to serve as a benchmark and enable staff to quantify progress at the District level. The Index was also incorporated as a performance metric in the annual evaluation of School Facilities administrators.

Making administrators, including principals, accountable has served to improve coordination among various functions responsible for correcting safety-to-life deficiencies. Additionally, the District Strategic Management System tracks work location progress in achieving District goals; this practice will in turn support compliance and reduce the number of outstanding Safety-to-Life deficiencies.

Finding No. 8: Architect Errors and Omissions

When pursuing reimbursement from architectural and engineering firms (A/E) for costs of errors and omissions, a number of factors typically influence the outcome. Of paramount consideration is that the extent of recovery is generally limited to those additional costs caused by the A/E that are excessive and can be shown to have resulted from their failure to exercise due professional care. It would not be fiscally prudent to pursue reimbursement from the A/E for the costs of each and every error and omission when such recovery would be precluded, should it be determined that the A/E's performance fell within the standard of care. Furthermore, recovery of additional costs due to errors and omissions is generally limited (i.e. costs attributable to inflation, additional staff administration, lack of competitive pricing, etc). To address those additional costs, the District's agreements include provisions wherein 15% of the costs of omissions items are included in the summation of errors and omissions to determine whether or not the 1.5% allowance threshold has been exceeded. The costs of recovery including litigation and administrative costs necessitate the use of a predetermined threshold percentage for errors and omissions, as a good business practice. Consequently, any "cost" that may be associated with this threshold is offset by lower design fees.

Finding No. 9: Project Closeout

Of the 69 projects pending closeouts, only 35 are pending field corrections, while the remaining 34 are only awaiting closeout documents.

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The District has created a project closeout team and assigned five professional technical staff members to more effectively assist the Capital Construction project managers with closeout requirements for all projects. The closeout team is typically engaged on projects which have not been closed-out within sixty days after achieving Substantial Completion. This approach requires the project manager to achieve Occupancy and complete as many punch list items as possible prior to transferring the project to the closeout team.

Projects for which only documents are pending are being handled by the closeout team. Projects which require field corrections that exceed the original scope-of-work, are being closed-out and forwarded to the Planning Department for inclusion in the Five-Year Plan for future projects at that particular school or facility.

Finding No. 10: Facilities Work Program

With regard to amounts reported in the facilities work program not agreeing with the adopted annual capital outlay budget for the 2006-07 budget year it should be noted that the governing state law limits the District to report in the facilities work program only projects with funding in years 1 through 5; whereas the capital outlay budget, includes projected expenditures for the particular fiscal year including carry-over funding from projects at various stages of construction.

With regard to the other issues raised regarding the 2006-2007 facilities work program, it was prepared anticipating that the School Board would consider, in the short-term, alternative funding sources to complete the necessary financing to cover all the capital needs therein. Based on that premise, since there would be no "unfunded needs" during the five-year period covered by the work program, there was also no need to break out funded from unfunded.

Shortly after the adoption and submission of the District's work program to the State DOE, the School Board held a workshop to consider such alternative revenue sources, which, due to unexpected and deeper than anticipated funding reductions at the state level, could not be further developed. It should be noted, that once that reality became fully defined and acknowledged, the District's subsequent 2007-08 facilities work program clearly articulated revenue availability and needs, and provided a clear breakdown of funded vs. unfunded projects.

Finding No. 11: Guaranteed Maximum Price (GMP) Contract Allowances

Allowances are partial contract amounts designated to cover minor undefined items of the work and are commonly used in the construction industry. Typically, allowances are less than 10% of total construction cost and serve the purpose of allowing a project to proceed without the need to finalize an otherwise minor aspect of the project.

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The five sample projects analyzed in the Auditor General's Report were all modular (prototype) classroom building additions at existing school sites which were awarded between October 2005 and January 2006 and were intended to be occupied by the Fall of 2006 as part of the District's accelerated building program intended to more than triple the previously planned work and to meet the State of Florida's Class Size Reduction Constitutional Amendment. Consequently, these projects were planned, funded, designed, bid and constructed under an accelerated schedule, necessitating the use of abbreviated site development plans and cursory analysis of existing utility and site conditions.

The factors outlined below all converged during the Fall of 2005, resulting in the need to "fast-track" projects and to utilize "allowances" to an added degree:

- Class Size Reduction Constitutional Amendment requirements
- Accelerated building program to deliver new student stations
- Development of multi-story modular (prototype) classroom building additions
- Local market conditions – (construction boom in Miami-Dade County causing a unprecedented demand on building trades and materials)
- Impact of hurricanes Katrina, Rita and Wilma

A further analysis of all projects over $7.0 million awarded during the 2006-07 fiscal year and the 2007-2008 fiscal year, (through February 2008), is shown below. Allowances for the five projects analyzed in the Auditor General's Report ranged from 16% to 34% for an averaged 22.3%. Projects awarded during FY2006-07 (once the above-mentioned conditions had stabilized) had allowances amounts ranging from 0% to 9% and averaged 2.7%. The projects awarded in 2007-08 reflect a further reduction, with allowances amounts, ranging from 0% to 6.5% and averaging 0.9%.

AUDIT FINDINGS (AWARDED OCTOBER 2005- JANUARY 2006)

SCHOOL NAME	PROJECT NUMBER	CONTACT AMOUNT	ALLOWANCE AMOUNT	ALLOWANCE % OF CONTRACT
SO. MIAMI ELEMENTARY	A01107	$18,231,230	$4,738,500	26%
WINSTON PARK ELEMENTARY	A01092	14,286,702	4,900,200	34%
ROCKWAY MIDDLE	A01134/002122440 2	13,245,554	1,848,960	14%
JOHN F. KENNEDY MIDDLE	A01154	10,948,483	1,802,500	16%
CORAL REEF SENIOR	A00142800	6,990,120	1,162,000	17%
	TOTAL	**$63,702,089**	**$14,452,160**	**22.7 %**

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COMPARABLE CAPACITY PROJECTS (OVER $7 MILLION)

SCHOOL NAME	PROJECT NUMBER	CONTRACT AMOUNT	ALLOWANCE AMOUNT	ALLOWANCE % OF CONTRACT
DEVON AIRE ELEM	00140600	$23,256,443	$125,511	0.5
STATE SCHOOL "UU-1"	A01020	34,995,606	336,887	1.0
STATE SCHOOL "PP-1"	A01026	33,503,553	484,081	1.4
STATE SCHOOL "MM-1"	A0725	34,893,847	769,827	2.2
STATE SCHOOL "JJJ"	A0742	75,665,488	2,204,016	2.9
MIAMI LAKES ELEM	00140100	11,085,484	1,144,454	9.1
MIAMI CAROL CITY SENIOR	A0101801	12,588,992	438,000	3.5
MIAMI CENTRAL SENIOR	A0101301	17,116,534	48,198	0.3
STATE SCHOOL "E-1"	00253000	34,223,084	0	0
STATE SCHOOL "BB-1"	A01112	32,992,362	1,643,180	4.9
STATE SCHOOL "P-1"	00252700	32,338,687	1,157,101	3.6
RUTH K. BROAD/ BAY HARBOR K-8	00223100	11,425,023	544,049	4.8
STATE SCHOOL "W-1"	A01032	23,940,560	1,140,027	4.8
NORTH MIAMI SENIOR	A01015	85,680,845	2,516,170	2.9
	2006-07 TOTAL	$463,706,508	$12,551,501	2.7 %

SCHOOL NAME	PROJECT NUMBER	CONTRACT AMOUNT	ALLOWANCE AMOUNT	ALLOWANCE % OF CONTRACT
STATE SCHOOL "QQQ-1"	00254800	$39,541,921	$700,000	1.8
JOHN A. FERGUSON SENIOR	00408200	10,139,488	663,331	6.5
MIAMI CENTRAL SENIOR	A0101302	14,770,212	0	0
VINELAND K-8 CONVERSION	00408900	8,528,974	0	0
LEEWOOD K-8 CONVERSION	00409100/00467300	10,719,277	346,300	3.2
LAW ENFORCE STUDIES SENIOR	00362800	35,400,000	0	0
SOUTHWOOD MIDDLE	A01135	11,474,861	0	0
STATE SCHOOL "TT-1"	A01106	31,695,360	0	0
STATE SCHOOL "YYY1"	00254700	35,209,242	82,500	0.2
	2007-08 TOTAL*	$197,479,335	$1,792,131	0.9 %

* Through February 2008

Upon completion of the initial phase of the District's accelerated building program, the District is now completing the bidding documents to the fullest extent possible as a standard operating procedure and utilizing allowances at a significantly reduced and acceptable level, as indicated in the above analysis and recommended in the audit.

Staff also recognizes that despite the uniqueness of the 2005-06 year, it is advisable to address the standardization of written procedures for allowances in contract terms and the CM procedures manual. The District is currently in the process of implementing the recommendation.

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Finding No. 12: Ad Valorem Taxation

The District does not agree with this finding. The District has strict procedures governing the use of 2-mill funds, and differs with the AG's opinion that these expenditures are not allowable per Section 1011.71 Florida Statutes. Since the primary nature of the work performed by the TV/AV/Computer techs is to provide routine maintenance on the complex network, technology infrastructure, and computer and TV/AV systems at the schools, the $17.6 million in expenditures are allowable for "maintenance, renovation, and repair of existing school plants."

The District also disagrees with the finding that the $1 million expended for computer software is an unallowable expenditure per Section 1011.71 Florida Statutes. The expenditures in question involved software purchases (Big Fix, Sophos and Excelsior) that are specifically tied to the maintenance of technology equipment, which is also allowable for "maintenance, renovation, and repair of existing school plants". The Big Fix software serves to maintain the District's network systems by monitoring, updating, repairing and defending the District's computer systems by deploying the necessary security patches and removing potentially harmful programs and files to ensure optimal system performance for all computers utilized by students. The Sophos software is the antivirus solution for the District. It serves to maintain the District's network systems and protect it from potentially harmful worms and viruses for all computers utilized by students. Sophos runs routine maintenance updates in order to optimize system performance. The Excelsior software purchase is exclusively related to a maintenance agreement that supports previously purchased software for the District utilized by students on pc's.

Section 1011.71(5)(a) provides that revenue generated by the millage levy authorized by section (2) should be used only for the cost of construction, renovation, remodeling, maintenance and repair of educational plant. "Maintenance and repair" as defined by Section 1013.01 means the upkeep of educational and ancillary plants, including, but not limited to equipment. "Educational plant" as defined by Section 1013.01 comprises educational facilities. "Educational facilities" also as defined by Section 1013.01 "means the buildings and equipment, structures and special educational use areas that are built, installed, or established to serve primarily the educational purposes and secondarily the social and recreational purposes of the community and which may lawfully be used as authorized by the Florida Statutes and approved by boards. Section 1013.01 refers to Definitions: terms to be defined for the purpose of Chapter 1013, Educational Facilities. There is no differentiation between technology equipment and other type of equipment in the statute. Therefore, maintenance and repair of educational plant as stated under Section 1011.71(5)(a) includes the maintenance and repair of technology equipment. All the expenditures cited are authorized as maintenance and repair of technology equipment. Technology equipment used at the school sites serve primarily the educational purposes as defined under Section 1013.01 term for Educational Facilities. At M-DCPS, technology equipment is directly related and integral to the delivery of

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student instruction and has contributed to the nationally acclaimed educational successes the District has achieved.

Maintenance and security of the District's technology equipment used at the school site is as important as the maintenance and security of HVAC and fire alarm systems, etc. Based on legal examination of, and consultation on the statute, we believe that the maintenance of technology equipment is an authorized purpose as supported by statute.

The District took great care in determining which expenditures would comply with Section 1011.71 Florida Statute and did not arbitrarily include these expenditures. The District routinely confers with outside counsel to ensure expenditures of its capital outlay ad valorem taxes are made only for authorized capital outlay purposes. The reference to certifying the instructional space needs is not applicable as it relates to these expenditures. The procedures to assure the District's compliance with Florida Statute 1011.71 are in place and have been complied with. Florida Statute 1011.71(5) does not indicate that the District must document to the Florida Department of Education that these costs are allowable.

The District respectfully requests that Preliminary and Tentative Audit Finding No. 12 Ad Valorem Taxation be removed from the Auditor General Report.

Finding No. 13: Workforce Development Education Program – Match of Student Records to Death Files

The District will report the 13 records in question to the Inspector General. In the cases reviewed by your auditors, the issue for discussion was the perpetration of identity fraud by students, whereby students presented fraudulent social security documentation (the numbers evidently belonging to persons who were deceased) in order to enroll in classes. The auditors matched the entire adult education enrollment database (representing several hundred thousand individuals served) against The Bureau of Vital Statistics' database yielding only 13 exceptions or about 0.0001%.

The District, in response to the original 2003 audit finding, complied with all of the previously recommended actions, as verified by the Auditor General in the 2005 follow-up audit. In summary, these were the actions previously taken:

- We established more stringent controls in the data input form document and registration process including student and administrative signatures and an "under penalty of perjury" clause;

- We reported the likely cases of identity fraud to the former Inspector General. The former Inspector General approved the action plan the District provided for

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additional controls, but took no action on the individual cases referred at that time;

- We requested assistance from Department of Education (DOE) requesting data matching with DOE or third-party databases in order to detect fraud. The Department of Education responded that it would not endorse the use of its data matching system (FETPIP) for purposes of tracking fraudulent enrollments.

Fighting identity fraud is a national phenomenon (beyond the current scope of the School District's primary mission). Verifying each social security number submitted against databases maintained by the State and Federal Government would be a very costly process, which in any event is not available to us. While troubling, the findings are immaterial and de minimis in its financial impact to the School District. In light of all of the above, these findings should have been handled by your auditors as a "discussion item" rather than a reportable finding.

Finding No. 14: Monitoring Fuel Efficiency of Vehicles

Fuel Consumption reports have been developed by our Information Technology Systems Department enabling us to identify underutilized vehicles or vehicles with excessive fuel consumption. Vehicle Activity Summary Reports are distributed by DOT to specific work locations for management evaluations. Corrections with meter readings are an on-going process performed by DOT within staffing limitations. Discrepancies are reported to DOT maintenance centers for review and/or recalibration of equipment. Issues relating to high consumption not related to meter readings are the responsibility of each user department.

Finding No. 15: Cellular Telephones

The District has a longstanding cell phone policy which requires employees to review their individual monthly cellular bills and reimburse the District for personal calls. A new online system was recently launched to facilitate distribution of cell phone bills electronically instead of via paper copies. The new system also improves accountability by providing a summary of cell phone usage and charges to each work location supervisor. Further, employees with no personal usage will now be required to affirm that all calls were for official business only.

Finding No. 16: Monitoring of Charter Schools

The District has already begun improving its monitoring procedures to ensure that its charter schools provide for and maintain the insurance coverage required in the charter school agreements as evidenced by the fact that all charter schools that had noted

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exceptions are currently in compliance with the insurance requirements of the charter school agreement for the 2007-2008 fiscal year.

Recognizing that deficiencies existed, beginning in the 2007-2008 fiscal year, the Charter School Operations department (CSO) solicited the support of the Office of Risk Management and has transferred the responsibility of the final review of charter school insurance policies to a designated Insurance Analyst. In doing so, CSO has provided the Insurance Analyst access to the Charter School Compliance Management System (CSCMS), the online compliance management application, which provides the ability to review all insurance policies, in their entirety, as well as a mechanism to immediately communicate any deficiencies to both CSO and the charter school. The general compliance and timeliness of submission of this insurance benchmark on CSCMS will continue to be monitored by the CSO Facilities Specialist. The responsibilities of CSO are to serve as the liaison between the charter school and Insurance Analyst by notifying the Insurance Analyst when the certificates are ready for review; follow-up on deficiencies or non-compliance; and prepare appropriate formal written communiqué to both the school administrator and governing board chairperson.

It should be noted that the audit exception regarding the 60-day cancellation provision in the charter school contractual agreement will also be resolved. CSO will revise the standard charter school contractual agreement to state that the Sponsor shall be notified of cancellation within ten (10) working days of the cancellation. This contract change will affect charter schools that execute contracts in the 2009-2010 fiscal year. For those charter schools with existing contracts, CSO shall execute a memorandum of understanding (MOU) or amend the existing contract to effect the change in the cancellation requirements.

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Federal Awards

Finding No. 1: Allowable Costs/Cost Principles: Vendor Payments

Miami Dade County Public Schools (M-DCPS) performs the following relative to monitoring Community Based Organizations (CBOs) and their services to determine allowable costs:

- Conduct monthly Mandatory Adult Basic Education Consortium meetings in order to monitor performance;
- Review monthly sign-in sheets, agenda, and meeting minutes;
- Review performance deliverables reported to the FL-DOE at mid-year and end-of-year;
- Adult Education and adult center staff perform site visitations to review student folders, client rosters and service observations;
- Develop scoring requirements of the Request for Proposal (RFP), which include required collaboration with CBOs - this area of the RFP was scored by the readers of the grant; and
- Analyze the RFP, the DOE 101 Budget Narrative and the scoring reports from the FL-DOE.

For the most part, CBOs offered classes in the afternoon and evenings. Records of additional staff visitation would be associated with the delivery of grant print and technology services. Not all of the CBOs were required to produce performance measures as related to literacy gains. Instead they offered services. The cost of these services was offset by the supplemental dollars which are evidenced by the agency activity rosters.

FLDOE Requirements of inclusion of CBOs

- The inclusion of the CBOs is considered mandatory as specified in the original RFP, the Budget Narrative, and the Letters of Collaboration, which in and of itself made it an allowable cost;
- The original RFP when awarded required the fiscal agent to include CBOs as affiliate partners in the delivery of grant specified activities. The value of these services was negotiated at the request of each CBO. The CBO's presented Adult Education staff with their needs, which included contracted operating funds, print materials, and technology resources. The amount of these materials

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depended upon the agencies' capacity. All print materials and technology resources were delivered to the CBOs with the understanding that these materials were to be used free of charge to their adult clients in a similar fashion to the operation of M-DCPS adult centers. The materials and technology services provided to CBOs paralleled the same services provided at M-DCPS adult centers.

- The activities of the CBOs were outlined in the initial RFP and directly tied to the Budget Narrative (DOE 101). This process, after review by the grant readers was approved by the FL-DOE prior to M-DCPS receiving the official grant award letter. All payments to the CBOs were accomplished through procurement procedures with the internal controls required by that office.

M-DCPS, through the grant award and the budget narrative, specified the affiliated CBOs and the associated cost benefit to each agency. The internal controls exercised by M-DCPS, the consortium meetings, site visitations and performance deliverables sent to our data processing department through the grant tracker database application or through LCPs earned in collaboration with M-DCPS adult centers provided the necessary documentation to substantiate that the questioned costs are in fact allowable.

Payments were executed at the end of the grant period in order to ensure performance compliance on all the above by each CBO.

New Programmatic Changes for Fiscal Year 07-08

The merger of the offices of Adult Education and Workforce Education on July 1, 2007, established internal control measures, inclusive of contractual compliance that directly addresses the allowable costs and performance related to each of the CBO's. The following delineates the procedures that are in place:

- School Operations staff has been reorganized to include a Budget Supervisor whose sole function is to the monitor the contractual and budgetary requirements associated with the grant and the CBOs that will prevent further occurrence of the condition stated.

- Each CBO is required to submit a Request for Information (RFI) for Community Based Organization Grant Partner through the Office of Procurement Management.

- Each CBO is now required to undergo a mid-year and end-of-year Compliance Monitoring Report to be administered by District staff. The CBO is required to present all required documentation related to their performance and fiscal management of the funds awarded to them by M-DCPS.

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- Each CBO, at the time of signing their FM-2453 Agreement Form for Contracted Services accepts Addendum A: Additional Requirements for Contractor within Anticipated Outcome of Contracted Services, which details the following:

    1. SCHOOL BOARD PROGRAM VISITATIONS AND MONITORING: The Contractor shall permit the staff of the School Board to conduct visitations and review the program provided by the Contractor and to confer with the staff of the Contractor at reasonable times. The School Board shall monitor and evaluate the educational program on a bi-annual basis. Contractor shall comply with Florida Statutes, Florida State Board of Education Rules, applicable federal and state laws, rules, and regulations and School Board Rules.

    2. PROBATIONARY STATUS AND PROGRAM IMPROVEMENT PLANS: If the Contractor does not meet the standards and criteria outlined in RFP No. 028-GG10, it will be placed on probation by the School Board for non-performance. The Contractor will submit a Program Improvement Plan (PIP) which will include Quarterly Progress Reports to M-DCPS to monitor and review program improvement initiatives and strategies:

        a) If the Contractor does not meet the criteria of the contract while on probation and after implementing the Program Improvement Plan (PIP), the School Board may terminate the contract for non-performance.

        b) If the Contractor successfully implements the PIP; thus demonstrating through documentation the meeting of the standards and criteria as outlined in RFP-No. 028-GG10, the probationary status shall be lifted. Review and final approval shall be made by the School Board.

    3. ANNUAL FINANCIAL AUDITS AND QUARTERLY REPORTS: An annual financial audit, requested and paid by the Contractor, shall be performed by a qualified Certified Public Accountant. The audit shall be performed in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Said audit, at a minimum, shall include the audited financial statements, independent auditor's report, the compliance and internal control letter, and management letter that shall include the pertinent findings, if any. Administrative responses to the findings, if any, shall also be included, bound together with the audit report. A single audit in accordance with Federal standards is also acceptable. The Contractor shall provide such audit within ninety (90) days after its fiscal year end.

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- Each CBO is required to submit an FM-7185 Materials and Software Request in the event that supplemental materials and supplies are needed for their learners.

- Each CBO is required to submit FM-6103 Affiliating Agreement with the Adult Center that they will be partnering with.

- Each CBO is contractually obligated to attend Mandatory Monthly Adult Basic Education (ABE) Meetings. Sign-in sheets, agenda and minutes of meetings are kept.

Federal Awards

Finding No. 2: Procurement – Contract Administration

Procurement Management Services long-standing practice includes the required language in all Request For Proposals, Invitations to Bid, and Agreement Form for Contracted Services pursuant to the applicable sections of Title 34, §§ 80.36(I) and 85.510. Inasmuch as purchase orders for specific general authorization and shopping cart purchases are automatically generated to maximize efficiencies, the language was not printed on the document. A service request will be submitted to automatically include the required language on purchase orders.

Finding No. 3: Activities Allowed or Unallowed

The A-87 Payroll Certification Report for the 2006-2007 school-year (copy attached), indicates that the employee that received salary payments totaling $106,813.90 was funded by the Fund for the Improvement of Education grant and performed the duties of the program's project director 100% of the time. While it is the custom of the District to identify Mr. Alberto Carvalho, Associate Superintendent, Intergovernmental Affairs and Grants Administration, as the primary administrator responsible for all grants, at no time were any funds from this grant ever attached to his salary. During the time in question, the Smaller Learning Communities, US DOE Program Officer was fully aware that the employee in question was the designated grant director, as he communicated with her regularly on ALL matters relating to the grant while he was in that position, even personally participating in an on-site evaluation of several schools in the grant. Attached is a copy of the evaluation report for which Program Officer personally provided the exit report in our Miami-Dade County Public Schools office. In order to ensure that the present US DOE program administrators have up-to-date records, a letter from Superintendent Crew will be sent formalizing the positions of all grant directors.

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Finding No. 4: Matching, Level of Effort, Earmarking

Smaller Learning Community:

The performance objective in question reads "Increase in 10th grade students who meet or exceed standards on the Florida Comprehensive Achievement Test (FCAT) by 10 percentage points in reading, 5 percentage points in mathematics." Although limited improvement was documented, it is important to note the following:

- the grant was awarded at the beginning of the 2005-06 school year, which served as a year of planning for the target schools;
- the performance goals were long range targets for achievement set by M-DCPS with the expectations that it would take a number of years to achieve. The performance goals were written to provide targets for the entire five year length of the grant;
- considering the schools that are part of this grant, expectations that these targets could have been met in one school year were not part of M-DCPS' vision. The progress that was made indicates movement by students in the right direction towards achievement of the goals;
- in an effort to provide formative assessment for program direction, staff will analyze interim data to determine progress toward the performance goals and to implement programmatic adjustments as needed; and,
- professional development and other Smaller Learning Communities activities are all structured to support the overarching absolute priority of preparing all students to succeed in postsecondary education or careers.

Refugee and Entrant:

Performance measure number (3) required that at least 60% of the clients have attendance of 80% or more. According to Refugee Services Performance Report for 2007, they had an overall attendance of 62% with only 19% having attendance of 80% or more. This can be attributed to several causes:

- The clients are primarily recent immigrants and/or struggle with issues including transportation, fluctuating work schedules, and family responsibilities.
- They enroll in or transfer between multiple courses in order to meet their changing needs. They are often counted absent from classes that they no longer plan to attend.

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- We were unable to properly calculate enrollment hours for extended courses (courses that extend beyond the term end date), so we were forced to use the maximum possible contact hours, which brought those clients' attendance rate down considerably.

The district is addressing these issues with an increase in Targeted ESOL courses, which are limited to small groups of SAVES clients, so they can get the attention and assistance that they need. Additional training is being provided at the monthly meetings, where proper tracking of the client enrollment is being stressed. A new reporting method based on the end date of the course has been created, which will allow the reporting of extended courses more accurately.

Performance measure number (4) required that 40% of the total courses attempted result in "Documented Progress." With no clear guidelines as to what counted as Documented Progress, the district chose to use completion points (LCPs and OCPs), a state-standardized performance benchmark, as the only measure. The average for the contract year was 26%, which is about the state's average. Sometimes, however, students "progress" to the next course without earning the LCP or OCP, and some courses do not even have the possibility of earning a completion point in only one term. Refugee Services has made the distinction more clearly in the new contract by separating the two measures, and reporting processes have been changed to capture this data.

Federal Awards

Finding No. 5: Program Administration

Internal procedures have been enhanced to control food service inventories and to adequately monitor the operations of the food service program. Food and Nutrition Coordinators review each school sites monthly inventory reports and communicate with assigned food service managers regarding appropriate inventory levels based on meal participation, facility capacity and menu cycle. Administrative staff is assigned on a weekly basis to review inventory, food orders and ensure inventory levels are appropriate. A monthly review of each school's inventory is completed and recorded by each food service coordinator. The percentage of fluctuations is noted on the report and corrective action is taken, if necessary. Food and Nutrition administrators conduct on-site visitations to review the accuracy of inventory counts taken by food service managers. The Department of Food and Nutrition maintains an on-line school site reporting and review system, termed VR2, through which all on-site operations monitoring reports are completed and simultaneously reported to the school principal, food service manager and Food and Nutrition director of operations.