

**LAKE COUNTY
DISTRICT SCHOOL BOARD**

Financial and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

Lake County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District</i>
	<u><i>No.</i></u>
<i>Larry E. Metz, Chairman</i>	<i>1</i>
<i>Scott Strong</i>	<i>2</i>
<i>Cindy Barrow</i>	<i>3</i>
<i>Jimmy Conner</i>	<i>4</i>
<i>Kyleen Fischer, Vice-Chairman</i>	<i>5</i>

Anna P. Cowin, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Patricia A. Tindel, CPA, and the audit was supervised by Brenda C. Racis, CPA. For the information technology portion of this audit, the audit team leader was Kathy Sellers, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by 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 at 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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I and Child Nutrition Cluster 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 a compliance finding, as summarized below.

Federal Awards Finding No. 1: District records could not be provided to support meal counts, totaling 9,949, for Federal reimbursements, totaling \$15,000, because the meal count information was misplaced, according to District personnel.

Audit Objectives and Scope

Our audit objectives were to determine whether the Lake 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;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous 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, 2008. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement 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, rules, regulations, contracts, and grant agreements. The results of our operational audit of the District are included in our report No. 2009-067.

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*.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850-488-5534
Fax: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lake County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, reported as agency funds, which represent 4 percent of the assets and 35 percent of the liabilities of the aggregate remaining fund information. In addition, 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 furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are 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. The financial statements of the Educational Foundation of Lake County, Inc., were not audited in accordance with *Government Auditing Standards*. 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lake County District School Board as of June 30, 2008, and the respective

changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Lake County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 3 through 10) and the other required supplementary information (pages 51 through 53) 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake County District School Board'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, CPA
December 23, 2008

**LAKE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the District School Board of Lake County, Florida, (the District), offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. The District encourages readers to consider the information presented here in conjunction with our financial statements.

Financial Highlights

Key financial highlights for the fiscal year 2007-08 are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$433,058,845.
- The District's total net assets increased by \$94,637,570.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$221,464,760, an increase of \$38,281,710 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$21,386,986 or 7.5 percent of total General Fund Revenues. The unreserved fund balance is available for spending at the District's discretion.
- The District's total long-term debt decreased by \$10,777,321 or approximately 2.7 percent during the current fiscal year. The key factor in this decrease was the repayment of outstanding debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements Reporting the District as a Whole

The government-wide financial statements provide both long-term and short-term information about the District's overall financial status. The subsequent statements are fund financial statements that focus on individual parts of the District and provide greater detail of the District's operations than the government-wide statements. Additionally, the basic financial statements include notes, which explain some of the information in the statements and provide more detailed data.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities provides information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement

for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the District include such functions as instruction, pupil personnel services, administration, pupil transportation, maintenance, and other items. The business-type activities of the District include the Extended Learning Center Program.

The government-wide financial statements include not only the District itself (known as the primary government), but also 10 charter schools and the Educational Foundation of Lake County, Inc., for which the District is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Financing Corporation for the School Board of Lake County, Florida, (Financing Corporation), although also legally separate, was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the District and Financing Corporation, the Financing Corporation has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be put into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and one capital projects fund which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

Proprietary Funds. The District maintains two different types of proprietary funds. The enterprise fund is used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its Extended Learning Center (before and after school child care) Program.

Internal service funds are an accounting device used to accumulate and allocate cost internally among the District's various functions. The District uses an internal service fund to account for its copy center. Because these services predominately benefit the governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. The proprietary fund financial statements provide separate information for the Extended Learning Center Program. The Extended Learning Centers provide before and after school care to elementary and middle school students enrolled in Lake County Schools. Expenses incurred for the operation of these programs are paid totally by fees collected for services. The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets can be found on pages 21 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found following the basic financial statements on pages 23 through 50.

Required Supplementary Information

The District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund on pages 51 through 53 to demonstrate compliance with this budget.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$433,058,845 at June 30, 2008.

By far, the largest portion of the District's net assets (approximately 62.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to educate the students of Lake County, Florida; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the District's Net Assets as of June 30, 2007 compared to net assets as of June 30, 2008.

District School Board of Lake County, Florida's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Current and Other Assets	\$ 260,449,248	\$ 259,573,840	\$ 551,178	\$ 617,396	\$ 261,000,426	\$ 260,191,236
Capital Assets	623,689,252	577,198,082			623,689,252	577,198,082
Total Assets	\$ 884,138,500	\$ 836,771,922	\$ 551,178	\$ 617,396	\$ 884,689,678	\$ 837,389,318
Current Liabilities	\$ 36,298,739	\$ 73,204,331	\$ 22,432	\$ 13,564	\$ 36,321,171	\$ 73,217,895
Noncurrent Liabilities	415,309,662	425,750,148			415,309,662	425,750,148
Total Liabilities	\$ 451,608,401	\$ 498,954,479	\$ 22,432	\$ 13,564	\$ 451,630,833	\$ 498,968,043
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$ 271,111,705	\$ 308,195,823	\$	\$	\$ 271,111,705	\$ 308,195,823
Restricted	158,181,484	24,746,869			158,181,484	24,746,869
Unrestricted	3,236,910	4,874,751	528,746	603,832	3,765,656	5,478,583
Total Net Assets	\$ 432,530,099	\$ 337,817,443	\$ 528,746	\$ 603,832	\$ 433,058,845	\$ 338,421,275

A portion of the District's net assets, \$158,181,484, represents resources that are subject to external restrictions on how they may be used. The remaining net assets, \$3,765,656, are unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

There was an increase of \$133,434,615 in restricted net assets reported in connection with the District's governmental activities. This increase was the result of increased construction funds for future construction of District facilities.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2007 and June 30, 2008 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenues:						
Program Revenues						
Charges for Services	\$ 8,293,805	\$ 8,151,232	\$ 2,027,149	\$ 2,204,084	\$ 10,320,954	\$ 10,355,316
Operating Grants and Contributions	17,361,832	15,823,513			17,361,832	15,823,513
Capital Grants and Contributions	75,736,351	10,031,520			75,736,351	10,031,520
General Revenues:						
Property Taxes	164,082,998	140,725,249			164,082,998	140,725,249
Other Taxes	10,796,324	11,671,365			10,796,324	11,671,365
Grants and Contributions (FEFP etc.)	172,779,838	172,782,817			172,779,838	172,782,817
Unrestricted Investment Earnings	7,729,815	10,860,156			7,729,815	10,860,156
Miscellaneous	14,043,243	2,150,429			14,043,243	2,150,429
Total Revenues	470,824,206	372,196,281	2,027,149	2,204,084	472,851,355	374,400,365
Expenses:						
Instruction	202,687,392	181,376,758			202,687,392	181,376,758
Pupil Personnel Services	15,169,099	14,005,254			15,169,099	14,005,254
Instructional Media Services	3,809,340	3,613,327			3,809,340	3,613,327
Instruction and Curriculum Development	7,301,745	6,577,283			7,301,745	6,577,283
Instructional Staff Training Services	8,032,580	7,175,881			8,032,580	7,175,881
Instruction Related Technology	2,686,279	2,267,854			2,686,279	2,267,854
Board of Education	1,199,774	591,518			1,199,774	591,518
General Administration	1,437,635	1,291,510			1,437,635	1,291,510
School Administration	17,302,826	16,351,813			17,302,826	16,351,813
Facility Services - Non-Capitalized	9,748,826	49,215			9,748,826	49,215
Fiscal Services	1,862,969	2,098,246			1,862,969	2,098,246
Food Services	15,269,624	14,111,709			15,269,624	14,111,709
Central Services	4,936,060	4,537,733			4,936,060	4,537,733
Pupil Transportation Services	17,304,697	16,027,027			17,304,697	16,027,027
Operation of Plant	23,362,272	21,920,610			23,362,272	21,920,610
Maintenance of Plant	6,600,430	6,694,281			6,600,430	6,694,281
Administrative Technology Services	462,297	443,920			462,297	443,920
Community Services	594,796	704,462			594,796	704,462
Interest on Long-Term Debt	16,863,469	18,709,706			16,863,469	18,709,706
Depreciation - Unallocated	19,046,510	17,961,240			19,046,510	17,961,240
Loss on Disposal of Capital Assets	432,930				432,930	
Extended Learning Center Program			2,102,235	2,033,489	2,102,235	2,033,489
Total Expenses	376,111,550	336,509,347	2,102,235	2,033,489	378,213,785	338,542,836
Increase (Decrease) in Net Assets	94,712,656	35,686,934	(75,086)	170,595	94,637,570	35,857,529
Net Assets, Beginning	337,817,443	282,700,587	603,832	433,237	338,421,275	283,133,824
Adjustment to Net Assets		19,429,922				19,429,922
Net Assets, Beginning (as Restated)	337,817,443	302,130,509	603,832	433,237	338,421,275	302,563,746
Net Assets, Ending	\$ 432,530,099	\$ 337,817,443	\$ 528,746	\$ 603,832	\$ 433,058,845	\$ 338,421,275

The District's net assets increased by \$94,637,570 during the current fiscal year.

Governmental Activities. Governmental activities increased the District's net assets by \$94,712,656, thereby accounting for almost all of the total growth in the net assets of the District. Key elements of the increase are as follows:

- Property taxes increased by \$23,357,749 or approximately 16.6 percent during the year. Most of this increase is the taxable assessed value and new construction.
- For the most part, increases in expenses closely paralleled inflation and growth in the number of students.

Business-Type Activities. Business-type activities decreased the District's net assets by \$75,086 due to an eight percent decrease in charges for services.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

The focus of the District governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$221,464,760, an increase of \$38,281,710 in comparison with the prior year. Unreserved fund balance of \$189,015,445 represents approximately 85.3 percent of the ending fund balances and is available to meet the District's short-term pending needs. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders outstanding at year-end \$25,155,551; 2) to fund state categorical programs \$1,786,296; 3) to fund future debt service \$4,048,021; and 4) to fund inventories \$1,459,447.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$21,386,986 while total fund balance reached \$27,785,461. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total revenues. Unreserved fund balance represents approximately 7.5 percent of total General Fund revenues, while total fund balance represents approximately 9.8 percent of that same amount. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders outstanding at year end, \$3,364,244; (2) to fund specific state categorical programs, \$1,786,296; and (3) as available inventory, \$1,247,935.

The fund balance of the District's General Fund increased by \$1,533,245 during the current fiscal year. The increase occurred primarily due to the Board's planning for State reductions expected in the 2008-09 fiscal year.

The Capital Projects - Other Capital Projects Fund is used to account for the financial resources generated by various sources. Included in this fund were Certificate of Participation proceeds, Impact Fees, Efforts Index, Class Size Reduction, Effort Recognition and other capital outlay-funded projects. The fund balance for this fund at the fiscal year-end, which was all reserved for capital projects, was \$141,253,832, an increase of \$7,977,107 from the prior fiscal year. The increase was primarily due to the recognition of Classroom for Kids Revenue.

Proprietary Funds

The District’s Proprietary fund provides the same type of information as business-type activities found in the government-wide financial statements. Unrestricted net assets at the end of the current fiscal year for the Extended Learning Center Program totaled \$528,746, a decrease of \$75,086 from the prior fiscal year.

General Fund Budgetary Highlights

During the fiscal year, the District’s revenue and expenditure projections remained similar to original budgeted amounts.

Capital Assets and Debt Administration

Capital Assets. The District’s investment in capital assets for the governmental activities as of June 30, 2008, amounted to \$623,689,252 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; property under capital leases; audio visual materials and computer software; and construction in progress. The total increase in the District’s investment in capital assets (net of accumulated depreciation) for the current fiscal year was approximately 8.1 percent.

- Major capital asset events during the current fiscal year included the material substantial completion of a replacement special needs school and a replacement elementary school.

**District School Board of Lake County, Florida's Capital Assets
(net of depreciation)**

	Governmental Activities	
	June 30, 2008	June 30, 2007
Land	\$ 14,179,151	\$ 14,104,629
Improvements Other Than Buildings	2,252,843	3,307,957
Buildings and Fixed Equipment	437,728,569	398,525,310
Furniture, Fixtures, and Equipment	10,666,051	9,707,777
Motor Vehicles	12,793,511	15,084,705
Construction in Progress	141,595,992	129,140,821
Property Under Capital Lease	3,657,173	6,259,983
Audio Visual Materials and Computer Software	815,962	1,066,900
	\$ 623,689,252	\$ 577,198,082

Additional information on the District’s capital assets can be found in note 5 of this report.

Long-Term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$394,125,355. Of this amount, \$13,005,000 comprises debt backed by the full faith and credit of the State of Florida. The following totals are the remaining debt of \$329,297,412 in certificates of participation, \$2,845,513 in obligations under capital leases, and \$48,977,430 in sales tax revenue bonds. The sales tax amount is supported by the pledge of the District’s portion of infrastructure sales tax.

New long-term debt issued during the current fiscal year included State Board of Education Bonds, Series 2008A, issued by the State of Florida on behalf of the School District in the amount of \$2,990,000.

During the current fiscal year, the District paid \$15,352,556 for principal payments on long-term debt as follows:

State School Bonds	\$ 510,000
Sales Tax Revenue Bonds	3,795,000
Certificates of Participation Payable	8,470,000
Obligations Under Capital Lease	<u>2,577,556</u>
	<u>\$ 15,352,556</u>

Additional information on the District’s long-term debt can be found in notes 6 through 10 of the notes to the financial statements.

Requests for Information

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Lake County Schools, 201 West Burleigh Boulevard, Tavares, Florida 32778.

BASIC FINANCIAL STATEMENTS

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA STATEMENT OF NET ASSETS June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$ 54,864,676	\$ 550,885	\$ 55,415,561	\$ 14,159,569
Cash with Fiscal Agent	38,696,611		38,696,611	
Investments	66,608,649		66,608,649	2,896,043
Accounts Receivable	1,588,799	293	1,589,092	734,751
Due from Component Units	4,262,820		4,262,820	
Due from Primary Government				231,390
Deposits				20,000
Prepaid Items				27,275
Due from Other Agencies	88,319,608		88,319,608	885
Inventories	1,497,282		1,497,282	
Deferred Charges	4,610,803		4,610,803	
Other Current Assets				114,184
Capital Assets:				
Land	14,179,151		14,179,151	303,417
Construction in Progress	141,595,992		141,595,992	43,949
Improvements Other Than Buildings, Net	2,252,843		2,252,843	183,841
Buildings and Fixed Equipment, Net	437,728,569		437,728,569	1,915,023
Furniture, Fixtures, and Equipment, Net	10,666,051		10,666,051	146,450
Motor Vehicles, Net	12,793,511		12,793,511	107,017
Property Under Capital Lease, Net	3,657,173		3,657,173	
Audio Visual Materials and Computer Software, Net	815,962		815,962	1,011
TOTAL ASSETS	\$ 884,138,500	\$ 551,178	\$ 884,689,678	\$ 20,884,805
LIABILITIES				
Salaries and Benefits Payable	\$ 12,879,396	\$ 11,679	\$ 12,891,075	\$ 415,259
Payroll Deductions and Withholdings	11,029,099		11,029,099	
Accounts Payable	4,789,935	10,753	4,800,688	418,661
Construction Contracts Payable	2,024,510		2,024,510	
Construction Contracts Payable - Retainage	3,084,999		3,084,999	
Due to Component Units	231,390		231,390	
Due to Primary Government				4,262,820
Matured Interest Payable	1,925,054		1,925,054	
Due to Other Agencies	304		304	2,256
Unearned Revenue	334,052		334,052	96,707
Long-Term Liabilities:				
Portion Due Within One Year:				
Obligations Under Capital Lease	1,586,722		1,586,722	65,573
Bonds Payable	4,585,000		4,585,000	
Certificates of Participation Payable	9,155,000		9,155,000	
Compensated Absences Payable	1,560,000		1,560,000	965,326
Notes Payable				157,801
Portion Due After One Year:				
Obligations Under Capital Lease	1,258,791		1,258,791	71,874
Bonds Payable	57,397,430		57,397,430	
Certificates of Participation Payable	320,142,412		320,142,412	
Compensated Absences Payable	18,177,108		18,177,108	
Notes Payable				1,569,721
Other Postemployment Benefits Payable	1,447,199		1,447,199	
TOTAL LIABILITIES	\$ 451,608,401	\$ 22,432	\$ 451,630,833	\$ 8,025,998
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	271,111,705		271,111,705	946,129
Restricted for:				
State Categorical Programs	1,786,296		1,786,296	5,949
Debt Service	2,122,967		2,122,967	223,491
Capital Projects	150,072,060		150,072,060	826,665
Special Revenue	4,200,161		4,200,161	631,968
Unrestricted	3,236,910	528,746	3,765,656	10,224,605
TOTAL NET ASSETS	\$ 432,530,099	\$ 528,746	\$ 433,058,845	\$ 12,858,807

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 202,687,392	\$ 576,261	\$	\$
Pupil Personnel Services	15,169,099			
Instructional Media Services	3,809,340			
Instruction and Curriculum Development Services	7,301,745			
Instructional Staff Training Services	8,032,580			
Instruction Related Technology	2,686,279			
Board of Education	1,199,774			
General Administration	1,437,635			
School Administration	17,302,826			
Facility Services - Non-Capitalized	9,748,826			72,058,588
Fiscal Services	1,862,969			
Food Services	15,269,624	7,007,022	8,643,943	
Central Services	4,936,060			
Pupil Transportation Services	17,304,697	710,522	8,717,889	
Operation of Plant	23,362,272			
Maintenance of Plant	6,600,430			2,654,410
Administrative Technology Services	462,297			
Community Services	594,796			
Interest on Long-Term Debt	16,863,469			1,023,353
Unallocated Depreciation Expense	19,046,510			
Loss on Disposal of Capital Assets	432,930			
Total Governmental Activities	376,111,550	8,293,805	17,361,832	75,736,351
Business-Type Activities:				
Extended Learning Center Program	2,102,235	2,027,149		
Total Business-Type Activities	2,102,235	2,027,149		
Total Primary Government	\$ 378,213,785	\$ 10,320,954	\$ 17,361,832	\$ 75,736,351
Component Units				
Educational Foundation	\$ 979,420	\$	\$	\$
Charter Schools	43,222,684	1,672,747	2,252,984	403,301
Total Component Units	\$ 44,202,104	\$ 1,672,747	\$ 2,252,984	\$ 403,301

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Local Sales Taxes
Grants and Contributions Not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2007

Net Assets - June 30, 2008

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

(Continued)

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government Business-Type Activities	Total	Component Units
\$ (202,111,131)	\$	\$ (202,111,131)	\$
(15,169,099)		(15,169,099)	
(3,809,340)		(3,809,340)	
(7,301,745)		(7,301,745)	
(8,032,580)		(8,032,580)	
(2,686,279)		(2,686,279)	
(1,199,774)		(1,199,774)	
(1,437,635)		(1,437,635)	
(17,302,826)		(17,302,826)	
62,309,762		62,309,762	
(1,862,969)		(1,862,969)	
381,341		381,341	
(4,936,060)		(4,936,060)	
(7,876,286)		(7,876,286)	
(23,362,272)		(23,362,272)	
(3,946,020)		(3,946,020)	
(462,297)		(462,297)	
(594,796)		(594,796)	
(15,840,116)		(15,840,116)	
(19,046,510)		(19,046,510)	
(432,930)		(432,930)	
(274,719,562)		(274,719,562)	
	(75,086)	(75,086)	
	(75,086)	(75,086)	
(274,719,562)	(75,086)	(274,794,648)	
			(979,420)
			(38,893,652)
			(39,873,072)
121,488,446		121,488,446	
42,594,552		42,594,552	
10,796,324		10,796,324	
172,779,838		172,779,838	40,415,642
7,729,815		7,729,815	
14,043,243		14,043,243	2,593,517
369,432,218		369,432,218	43,009,159
94,712,656	(75,086)	94,637,570	3,136,087
337,817,443	603,832	338,421,275	9,722,720
\$ 432,530,099	\$ 528,746	\$ 433,058,845	\$ 12,858,807

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Capital Projects- Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 13,046,240	\$ 12,602,013	\$ 29,216,423	\$ 54,864,676
Cash with Fiscal Agent		38,696,611		38,696,611
Investments	30,326,548	36,007,603	274,498	66,608,649
Accounts Receivable	1,476,219		106,146	1,582,365
Due from Component Units	4,262,820			4,262,820
Due from Other Funds	2,963,744			2,963,744
Due from Other Agencies	251,165	61,119,510	26,948,933	88,319,608
Inventories	1,247,935		211,512	1,459,447
TOTAL ASSETS	\$ 53,574,671	\$ 148,425,737	\$ 56,757,512	\$ 258,757,920
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 12,008,935	\$	\$ 870,461	\$ 12,879,396
Payroll Deductions and Withholdings	11,029,099			11,029,099
Accounts Payable	2,519,786	404,620	1,821,260	4,745,666
Construction Contracts Payable		2,024,510		2,024,510
Construction Contracts Payable - Retainage		3,084,999		3,084,999
Due to Component Units	231,390			231,390
Due to Other Funds		1,657,776	1,305,968	2,963,744
Due to Other Agencies			304	304
Deferred Revenue			334,052	334,052
Total Liabilities	25,789,210	7,171,905	4,332,045	37,293,160
Fund Balances:				
Reserved for State Categorical Programs	1,786,296			1,786,296
Reserved for Encumbrances	3,364,244	17,263,001	4,528,306	25,155,551
Reserved for Debt Service			4,048,021	4,048,021
Reserved for Inventories	1,247,935		211,512	1,459,447
Unreserved:				
Reported in General Fund	21,386,986			21,386,986
Reported in Special Revenue Funds			3,972,376	3,972,376
Reported in Capital Projects Funds		123,990,831	39,665,252	163,656,083
Total Fund Balances	27,785,461	141,253,832	52,425,467	221,464,760
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,574,671	\$ 148,425,737	\$ 56,757,512	\$ 258,757,920

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

**DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds \$ 221,464,760

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

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

Non-Depreciable Assets	155,775,143	
Depreciable Assets	<u>467,914,109</u>	623,689,252

Debt Issuance costs are not expensed in the government-wide statements but are reported as deferred charges and amortized over the life of the debt. 4,610,803

Premiums paid on long-term debt issuances are reported as revenues in the governmental funds but as unamortized premiums in the government-wide statements and amortized over the life of the debt.

Unamortized Bond Premium	1,217,430	
Unamortized Certificates of Participation Premium	<u>12,182,412</u>	(13,399,842)

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

Obligations under Capital Lease	(2,845,513)	
Bonds Payable	(60,765,000)	
Certificates of Participation Payable	(317,115,000)	
Compensated Absences Payable	(19,737,108)	
Other Postemployment Benefits Payable	<u>(1,447,199)</u>	(401,909,820)

Accrued Interest Payable on long- term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds (1,925,054)

Total Net Assets - Governmental Activities \$ 432,530,099

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund	Capital Projects- Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Direct	\$ 221,859	\$	\$ 1,008,557	\$ 1,230,416
Federal Through State	927,880		30,480,276	31,408,156
State	156,542,575	58,310,195	18,386,679	233,239,449
Local:				
Ad Valorem Taxes	121,448,446		42,594,552	164,042,998
Local Sales Tax			10,796,324	10,796,324
Impact Fees		11,870,758		11,870,758
Food Service Revenue			7,061,037	7,061,037
Other Local Revenue	4,956,675	5,418,138	800,254	11,175,067
Total Revenues	284,097,435	75,599,091	111,127,679	470,824,205
Expenditures				
Current - Education:				
Instruction	188,073,301		11,699,700	199,773,001
Pupil Personnel Services	13,140,034		2,029,065	15,169,099
Instructional Media Services	3,808,790		550	3,809,340
Instruction and Curriculum Development Services	3,411,160		3,890,585	7,301,745
Instructional Staff Training Services	4,890,955		3,141,625	8,032,580
Instruction Related Technology	2,686,279			2,686,279
Board of Education	1,199,774			1,199,774
General Administration	893,164		544,471	1,437,635
School Administration	17,265,130		37,696	17,302,826
Facility Services - Non-Capitalized	2,519	6,706,210	43,952	6,752,681
Fiscal Services	1,859,270		3,699	1,862,969
Food Services	95,317		15,174,307	15,269,624
Central Services	4,936,060			4,936,060
Pupil Transportation Services	16,695,802		608,895	17,304,697
Operation of Plant	23,336,291		25,981	23,362,272
Maintenance of Plant	6,600,430			6,600,430
Administrative Technology Services	462,297			462,297
Community Services	84,124		510,672	594,796
Fixed Capital Outlay:				
Facilities Acquisition and Construction	8,563	60,910,712	6,222,334	67,141,609
Other Capital Outlay	752,494		1,072,652	1,825,146
Debt Service:				
Principal	2,367,395		12,775,000	15,142,395
Interest and Fiscal Charges	147,708	5,062	17,520,424	17,673,194
Total Expenditures	292,716,857	67,621,984	75,301,608	435,640,449
Excess (Deficiency) of Revenues Over Expenditures	(8,619,422)	7,977,107	35,826,071	35,183,756
Other Financing Sources (Uses)				
Transfers In	10,152,667		25,973,246	36,125,913
SBE Bonds Issued			2,990,000	2,990,000
Premium on Bonds			107,954	107,954
Transfers Out			(36,125,913)	(36,125,913)
Total Other Financing Sources (Uses)	10,152,667		(7,054,713)	3,097,954
Net Change in Fund Balances	1,533,245	7,977,107	28,771,358	38,281,710
Fund Balances, July 1, 2007	26,252,216	133,276,725	23,654,109	183,183,050
Fund Balances, June 30, 2008	\$ 27,785,461	\$ 141,253,832	\$ 52,425,467	\$ 221,464,760

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

**DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
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, 2008**

Net Change in Fund Balances - Governmental Funds	\$	38,281,710
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
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 of \$19,046,510.		46,924,100
The loss on the disposal of capital assets during the period is reported 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 the disposed assets.		(432,930)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Bonds Payable		(2,990,000)
Premiums and issuance costs on new debt issues are reported when issued as other financing sources and other fiscal charges in the governmental funds, but are amortized over the life of the debt in the statement of activities.		
Deferred Charges:		
Current Year	4,610,803	
Less Prior Year	<u>4,936,236</u>	
Net reduction in expenses from Deferred Charges		(325,433)
Unamortized Premiums:		
Current Year	(13,399,842)	
Less Prior Year	<u>(14,392,163)</u>	
Net increase in expenses from Unamortized Premiums		992,321
Other postemployment benefit costs are recorded in the Governmental Funds under the pay-as-you-go method, but under the full accrual method in the Government-Wide Governmental Activities.		
Current Year Accruals:	1,447,199	
Less, Prior Year	<u> </u>	
Net Increase in Expenses from Other Postemployment Benefits Costs		(1,447,199)
Repayments of long-term liabilities are expenditures in the governmental funds, but repayments reduce long-term liabilities in the statement of net assets.		
Obligations Under Capital Leases		2,577,556
Bonds Payable		4,305,000
Certificates of Participation		8,470,000
Accrued Interest Payable is reported in the statement of activities. In the governmental funds, the costs are recognized as an expenditure in the year paid.		(175,277)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned less the amount paid in the current period.		(1,467,192)
Change in Net Assets - Governmental Activities	\$	<u>94,712,656</u>

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Business-Type Activities Extended Learning Center	Governmental Activities Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 550,885	\$
Accounts Receivable	293	6,434
Inventories		37,835
	551,178	44,269
Total Current Assets	551,178	44,269
TOTAL ASSETS	\$ 551,178	\$ 44,269
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	\$ 11,679	\$
Accounts Payable	10,753	44,269
	22,432	44,269
Total Current Liabilities	22,432	44,269
Total Liabilities	22,432	44,269
NET ASSETS		
Unrestricted	528,746	
Total Net Assets	528,746	
TOTAL LIABILITIES AND NET ASSETS	\$ 551,178	\$ 44,269

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

**DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities <u>Extended Learning Center</u>	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES		
Charges for Services	\$ 2,027,149	\$ 517,447
Total Operating Revenues	<u>2,027,149</u>	<u>517,447</u>
OPERATING EXPENSES		
Salaries	1,091,794	98,474
Employee Benefits	398,907	42,884
Purchased Services	88,329	520,604
Energy Services	3,765	13,577
Materials and Supplies	85,316	179,474
Capital Outlay	50,743	14,775
Other Expenses	383,381	
Total Operating Expenses	<u>2,102,235</u>	<u>869,788</u>
Operating Loss	<u>(75,086)</u>	<u>(352,341)</u>
NONOPERATING REVENUES		
Board Contributions		352,341
Change in Net Assets	(75,086)	
Total Net Assets, July 1, 2007	<u>603,832</u>	
Total Net Assets, June 30, 2008	<u>\$ 528,746</u>	<u>\$ 0.00</u>

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

**DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities Extended Learning Center Program	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	\$ 2,040,451	\$ 517,447
Cash Payments to Suppliers for Goods and Services	(602,666)	(728,430)
Cash Payments to Employees for Services	(1,490,701)	(141,358)
	Net Cash Used by Operating Activities	(352,341)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Board		352,341
		Net Cash Provided by Noncapital Financing Activities
		352,341
Net Decrease in Cash and Cash Equivalents	(52,916)	
Cash and Cash Equivalents, Beginning	603,801	
Cash and Cash Equivalents, Ending	\$ 550,885	\$ 0.00

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (75,086)	
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	13,302	
Increase in Salaries and Benefits Payable	11,679	
Decrease in Accounts Payable	(2,811)	
	Total Adjustments	
	22,170	
Net Cash Used by Operating Activities	\$ (52,916)	

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 200,000	\$ 2,350,059
TOTAL ASSETS	\$ 200,000	\$ 2,350,059
LIABILITIES		
Internal Accounts Payable	\$	\$ 2,350,059
Total Liabilities		\$ 2,350,059
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	200,000	
Total Net Assets	200,000	
TOTAL LIABILITIES AND NET ASSETS	\$ 200,000	

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	\$ 8,697
Total Additions	<u>8,697</u>
DEDUCTIONS	
Other Expenses	<u>13,038</u>
Total Deductions	<u>13,038</u>
Change in Net Assets	(4,341)
Net Assets, July 1, 2007	<u>204,341</u>
Net Assets, June 30, 2008	<u><u>\$ 200,000</u></u>

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

As required by accounting principles generally accepted in the United States, these basic financial statements present the District (the primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District:

- **Blended Component Unit.** The Financing Corporation for the School Board of Lake County, Florida, (Financing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment, as further discussed in Note 7. Due to the substantive economic relationship between the District and the Financing Corporation, the financial activities of the Financing Corporation are included in the accompanying basic financial statements as part of the debt service and capital projects funds. Separate financial statements for the Financing Corporation are not published.
- **Discretely Presented Component Units.** The component units columns in the basic financial statements include the financial data of the District's other component units that are required to be reported separately. These component units consist of the Educational Foundation of Lake County, Inc., as well as the following charter schools: Alee Academy, Inc.; Altoona School, Inc.; Educational Charter Foundation of Florida, Inc. (dba South Lake Charter School); Lake Technical Center, Inc.; Mascotte Elementary School, Inc.; Milestones Community School, Inc.; Minneola Elementary School, Inc.; Round Lake Elementary School, Inc.; Spring Creek Elementary School, Inc.; and The Charter School at The

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

National Deaf Academy, Inc. These are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the District.

The Educational Foundation of Lake County, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures on behalf of the District. The Foundation is considered to be a component unit of the District because the District must approve all members of the Foundation Board and the District has the ability to impose its will on the Foundation. The financial data reported for the Foundation was derived from audited financial statements on file in the District's administrative offices.

The charter schools are separate not-for-profit corporations organized under Section 1002.33, Florida Statutes, to operate as public (as opposed to private) schools and are held responsible for prudent use of the public funds they receive. Charter schools operate under charters approved by their sponsor, the School Board, and are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for their support. The financial data reported for the charter schools were derived from audited financial statements on file in the District's administrative offices.

The Rivendell Academy charter school was not included in the District's basic financial statements in accordance with generally accepted accounting principles. This charter school was organized under an existing not-for-profit corporation and is considered to be a component unit of the not-for-profit corporation. The Rivendell Charter School ceased operation effective June 30, 2008.

➤ **Measurement Focus, Basis of Presentation, and Financial Statement Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the District as a whole. These statements do not include the fiduciary financial activity of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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The effects of interfund activity have been eliminated from the government-wide financial statements, except for transfers between governmental activities and business-type activities. Interfund transactions include transactions involving the internal service funds. These transactions were eliminated by allocating the change in net assets of the internal service fund in direct proportion to how they were charged as expenses to the various functions or programs.

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

The District reports the following major governmental funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Other Capital Projects Fund - to account for the financial resources generated by various sources. Included in the Capital Projects – Other Capital Projects Fund are certificate of participation proceeds; impact fees; and effort Index, class size reduction and other capital outlay appropriations. These funds are to be used for educational capital outlay needs, including new construction and renovation and remodeling projects as specified in statute, ordinance, or contract.

The District reports the following proprietary funds:

- Enterprise Fund - Extended Learning Center Program - to account for the financial resources of the District's Extended Learning Center Program. This program provides before- and after-school care to students.
- Internal Service Fund - to account for the financial resources of the District's Copy Center.

The District reports the following fiduciary funds:

- Agency Funds - to account for resources of the school internal funds which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.
- Private-Purpose Trust Fund - to account for resources that are legally restricted to the extent that only proceeds from interest, and not principal, may be used for scholarship purposes.

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

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

Governmental fund financial statements, which include the general, special revenue, debt service and capital projects funds are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual method of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this rule are: (a) prepaid items are generally not accrued; (b) interest on general long-term debt is recognized as expenditures when due; and (c) expenditures related to long-term liabilities are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value and (b) non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange. Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions are further classified into (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government-mandated non-exchange transactions, and (d) voluntary non-exchange transactions. Derived tax revenues (e.g., sales taxes) are recorded when the exchange transaction occurs. Imposed non-exchange transactions (e.g., property taxes) are recorded when the use of the resource is required or first permitted by time requirements (for example, for property taxes, the period for which they are levied.) Government-mandated and voluntary non-exchange transactions, (e.g., Federal mandates, grants, and donations) are recorded when all eligibility requirements have been met.

When applying the susceptible to accrual concept under the modified accrual basis, resources also should be available in order to be accrued. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property and sales taxes to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Agency (fiduciary) Funds are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board prior to December 1, 1989, generally are followed in both the government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. The principal operating expenses for the proprietary funds include salaries and benefits, and cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Educational Foundation of Lake County, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Alee Academy, Inc.; Altoona School, Inc.; Educational Charter Foundation of Florida, Inc. (dba South Lake Charter School); Lake Technical Center, Inc.; Mascotte Elementary School, Inc.; Milestones Community School, Inc.; Minneola Elementary School, Inc.; Round Lake Elementary School, Inc.; Spring Creek Elementary School, Inc.; and The Charter School at The National Deaf Academy, Inc., shown as discretely presented component units, implemented the requirements of GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments*, concurrently with the District. The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

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

Cash balances from all funds are combined and invested to the extent available. Earnings are allocated monthly to each fund based on the ending monthly cash and investments balances.

Investments consist of amounts placed in the State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B Surplus Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

On November 28, 2007, the District had \$62,729,730 invested with the Florida Local Government Surplus Funds Trust Fund and directed the transfer of the majority of those funds to other approved investments. On November 29, 2007, in an unprecedented move, the State Board of Administration temporarily closed the fund and restricted the withdrawal of approximately 14 percent of remaining balances. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund.

The District's investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B Surplus Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Investments made locally consist of money market mutual funds and a repurchase agreement. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Warehouse (school supplies) and maintenance inventories are stated at cost on a weighted-average basis. Copy Center inventory is stated at last invoice, which approximates the first-in, first-out basis. Transportation and food service inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than when purchased.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

➤ **Capital Assets**

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

Normal maintenance and repair costs that do not materially increase the value of assets or extend the useful lives of assets are not capitalized.

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

Capital assets of the primary government, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 – 40 years
Buildings and Fixed Equipment	10 – 50 years
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years
Property Under Capital Lease	4 years
Audio Visual Materials and Computer Software	3 – 10 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately as deferred charges and amortized over the term of the related debt.

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

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

➤ **Compensated Absences**

The criteria for determining compensated absences (i.e., paid absences for employee vacation and sick leave benefit) liability are derived from Board policy, negotiated agreements and state law. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on sick leave accumulated at year-end by those employees who are eligible to receive termination payments and those employees for whom it is probable that they will become eligible to receive termination benefits in the future.

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). The liability for compensated absences includes applicable salary-related payments for Social Security, Medicare and retirement contributions.

Changes in compensated absences for the current year are reported in a subsequent note.

➤ **State Revenue Sources**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received allocations under the Classrooms for Kids and Class Size Reduction Construction Programs. The District is

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2007 tax levy on September 10, 2007. Tax bills are mailed by the Lake County Tax Collector's Office 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 a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **Educational Impact Fees**

Lake County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1996. On December 11, 2007, Lake County amended Chapter 22 of the Lake County Code related to Impact Fees. Ordinance 2007-60 amended the County's Impact Fee Schedule. The educational impact fee is collected by the County for most new residential construction. The fees can only be used to acquire, construct, expand, and equip the educational sites and educational capital facilities necessitated by new development, and to pay for certain collection and legal defense costs. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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 function level (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.
- During the fiscal year ended June 30, 2008, budgets for all governmental fund types were amended to reflect adjustments to appropriations due to changes in student counts, the addition of new education programs, etc. These amendments were made as part of the routine budget process of the District, and were not deemed to be significant by management.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

3. INVESTMENTS

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration Local Government Fund B Surplus Funds Trust Fund	9.22 Year Average	\$ 28,145
State Board of Administration Debt Service Accounts	6 Months	253,747
Money Market Mutual Funds	36 Days	45,864,364
Repurchase Agreements	July 2008 to September 2008	<u>20,462,393</u>
Total Investments, Primary Government		<u>\$ 66,608,649</u>

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

Interest Rate Risk

District policies limit the length of investments of bond reserves, construction funds, and other non-operating funds to a maximum of five years and the investment of current operating funds to no longer than two years.

The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008.

Credit Risk

The District's investment policy authorizes the following investments:

- The Florida Local Government Surplus Funds Trust Fund (SBA)
- United States Government Securities
- United States Government Agencies
- Federal Instrumentalities
- Interest-bearing time deposit or saving accounts in qualified public depositories
- Repurchase agreements collateralized with a value of 102 percent, by negotiable direct obligations of the United States Government, Governmental Agencies, and Federal Instrumentalities with maturities under five years
- Commercial Paper and Bankers' Acceptances rated "Prime-1" by Moody's and "A-1" by Standard and Poor's
- State and/or local government taxable and/or tax-exempt debt rated at least "Aa" by Moody's and "AA" by Standard and Poor's
- Registered investment companies (mutual funds) rated "AAm" or "AAm-G" or better by Standard and Poor's or an equivalent rating by another rating agency

Under the Board's investment policy, proceeds from debt issues are allowed to be invested in accordance with the resolutions authorizing the debt issue and approved by bond insurer. On

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

January 30, 2007, the District entered into a Master Repurchase Agreement to invest the proceeds from the Certificates of Participation, Series 2006A and 2006B, as authorized by the bond insurer and in accordance with the Certificates of Participation's resolutions. The investment in the Master Repurchase Agreement totaling \$20,462,393 is unrated. Under the terms of the Master Repurchase Agreement, funds will be invested for up to two years with permitted withdrawals as funds are expended on the constructed projects.

The District's Investments in Money Market Funds totaling \$45,864,364 are reported at fair value. These funds were invested in the RidgeWorth Institutional United States Government Securities Money Market Fund. This money market fund is rated Aaa by Moody's Investor Services and AAAM by Standard and Poor's.

The District's Investments in State Board of Administration – Fund B Surplus Funds Trust Fund are unrated.

The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

Custodial Credit Risk

Section 218.415 (18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other State or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's \$20,462,393 investments in repurchase agreements and \$45,864,364 investments in money market funds are held by the safekeeping agent, in the name of the District.

4. RECEIVABLES

The majority of receivables are due from other agencies, including charter schools within the District. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible accounts receivable is accrued.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 14,104,629	\$ 74,522	\$	\$ 14,179,151
Construction in Progress	129,140,821	53,039,172	40,584,001	141,595,992
Total Capital Assets Not Being Depreciated	143,245,450	53,113,694	40,584,001	155,775,143
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	14,721,695	463,394		15,185,089
Buildings and Fixed Equipment	446,344,122	47,704,332		494,048,454
Furniture, Fixtures, and Equipment	30,970,975	4,494,349	1,781,635	33,683,689
Motor Vehicles	28,578,546	220,671	921,722	27,877,495
Property Under Capital Leases	9,990,919		210,160	9,780,759
Audio Visual Materials and Computer Software	4,740,473	558,171		5,298,644
Total Capital Assets Being Depreciated	535,346,730	53,440,917	2,913,517	585,874,130
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(11,413,738)	(1,518,508)		(12,932,246)
Buildings and Fixed Equipment	(47,818,812)	(8,501,073)		(56,319,885)
Furniture, Fixtures, and Equipment	(21,263,198)	(3,300,926)	(1,546,486)	(23,017,638)
Motor Vehicles	(13,493,841)	(2,471,704)	(881,561)	(15,083,984)
Property Under Capital Leases	(3,730,936)	(2,445,190)	(52,540)	(6,123,586)
Audio Visual Materials and Computer Software	(3,673,573)	(809,109)		(4,482,682)
Total Accumulated Depreciation	(101,394,098)	(19,046,510)	(2,480,587)	(117,960,021)
Total Capital Assets Being Depreciated, Net	433,952,632	34,394,407	432,930	467,914,109
Governmental Activities Capital Assets, Net	\$ 577,198,082	\$ 87,508,101	\$ 41,016,931	\$ 623,689,252

The District's capital assets serve multiple functions; therefore depreciation expense was not allocated to individual expense functions on the Statement of Activities.

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

6. OBLIGATIONS UNDER CAPITAL LEASES

Computer equipment with an asset balance of \$9,780,759 is being acquired under capital leases.

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

Fiscal Year June 30	Total	Principal	Interest
2009	\$ 1,762,962	\$ 1,586,722	\$ 176,240
2010	1,115,048	1,038,750	76,298
2011	233,107	220,041	13,066
Total Minimum Payments Required	\$ 3,111,117	\$ 2,845,513	\$ 265,604

The imputed interest rates range from 5.938 to 6.813 percent

7. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on July 1, 1998, which was characterized as a lease-purchase agreement, with the Financing Corporation for the School Board of Lake County, Florida (Financing Corporation) whereby the District secured financing of various educational facilities in the total amount of \$337,005,000. The financing was accomplished through the issuance of Certificates of Participation, Series 1998 for \$71,355,000; Series 2002 for \$65,155,000; Series 2003 for \$29,515,000; Series 2004A for \$29,025,000; Series 2005A for \$64,240,000; and Series 2006A for \$77,715,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District property to the Financing Corporation, with a rental fee of \$10 per year. The initial terms of the Series 1998 lease is 30 years commencing on July 1, 1998. The Series 2002, 2003, 2004A, 2005A, and 2006A leases each have an initial term of 25 years commencing on July 1, 2002, February 1, 2003, September 1, 2004, July 28, 2005, and December 1, 2006, respectively. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to 30 years from the date of the inception of the arrangement.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

Certificates of Participation payable at June 30, 2008 are as follows:

Certificates of Participation	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Series 1998	\$ 71,355,000	\$ 3,165,000	4.400 - 5.000	2009
Series 2002	65,155,000	34,975,000	3.500 - 5.375	2027
Series 2003	29,515,000	25,535,000	3.000 - 5.000	2028
Series 2004A	29,025,000	26,100,000	3.000 - 5.000	2029
Series 2005A	64,240,000	63,260,000	2.900 - 5.000	2030
Series 2005B, Refunding	28,755,000	28,755,000	3.400 - 5.250	2018
Series 2005C, Refunding	25,280,000	25,280,000	5.250	2018
Series 2006A	77,715,000	76,060,000	3.375 - 5.000	2031
Series 2006B, Refunding	34,855,000	33,985,000	3.375 - 5.000	2023
Subtotal		<u>317,115,000</u>		
Plus Unamortized Premium		<u>12,182,412</u>		
Total Certificates of Participation		<u><u>\$ 329,297,412</u></u>		

Note: Certificates of Participation, Refunding Series 2005B were used to advance refund a portion of the Certificates of Participation, Series 1998. Certificates of Participation, Refunding Series 2005C were used to advance refund a portion of Certificates of Participation, Series 2002. Certificates of Participation, Series 2006B were used to advance refund a portion of the Certificates of Participation, Series 1998.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

The District Properties included in the ground leases under this arrangement include:

Series 1998 Certificates

Round Lake Elementary
Astatula Elementary
Lost Lake Elementary
Villages Elementary
Windy Hill Middle
Beverly Shores – Classroom Wing
Groveland Elementary – Classroom Wing
Tavares Elementary – Classroom Wing
Triangle Elementary – Classroom Wing
Eustis Middle – Classroom Wing
Tavares Middle – Classroom Wing

Series 2002 Certificates

Pine Ridge Elementary
Leesburg High
Mt. Dora High

Series 2003 Certificates

Beverly Shores Elementary
Fruitland Park Elementary
Mt. Dora Middle
Leesburg Elementary
Oak Park Bus Lot Replacement

Series 2004A Certificates

Carver Middle
Mascotte Elementary
Lake Hills

Series 2005A Certificates

Mascotte Elementary
Minneola Elementary
Lake Hills
East Ridge High Addition

Series 2006A Certificates

Elementary School "I"
Middle School "DD"
South Lake High Addition

The following is a schedule by years of future minimum lease payments under the above-referenced lease agreements together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 23,919,621	\$ 9,155,000	\$ 14,764,621
2010	24,324,896	9,910,000	14,414,896
2011	24,760,115	10,690,000	14,070,115
2012	25,205,665	11,510,000	13,695,665
2013	25,671,948	12,415,000	13,256,948
2014-2018	135,932,994	78,775,000	57,157,994
2019-2023	98,007,788	57,815,000	40,192,788
2024-2028	98,012,125	73,415,000	24,597,125
2029-2031	58,806,500	53,430,000	5,376,500
Subtotal	514,641,652	317,115,000	197,526,652
Unamortized Premium	12,182,412	12,182,412	
Total Minimum Lease Payments	\$ 526,824,064	\$ 329,297,412	\$ 197,526,652

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

8. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

Bond Type	Original Issue Amount	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 1999-A	\$ 800,000	\$ 550,000	4.125 - 4.750	2019
Series 2000-A	500,000	50,000	5.000 - 6.000	2010
Series 2001-A	1,870,000	1,585,000	4.200 - 5.000	2021
Series 2002-A	565,000	495,000	4.667 - 5.000	2022
Series 2002-B	505,000	340,000	3.375 - 5.375	2014
Series 2003-A	995,000	875,000	3.000 - 5.000	2023
Series 2005-A	2,375,000	2,180,000	4.000 - 5.000	2025
Series 2005-A, Refunding	1,445,000	1,240,000	4.000 - 5.000	2016
Series 2005-B	1,840,000	1,830,000	3.000 - 5.000	2020
Series 2006-A	900,000	870,000	4.000 - 5.000	2026
Series 2008-A	2,990,000	2,990,000	3.250 - 5.000	2028
Sales Tax Revenue Bonds:				
Series 2003	45,990,000	34,500,000	2.100 - 5.000	2018
Series 2004	15,590,000	13,260,000	3.000 - 5.000	2018
Subtotal		60,765,000		
Unamortized Bond Premium		1,217,430		
Total Bonds Payable		<u>\$ 61,982,430</u>		

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

State School Bonds

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

Sales Tax Revenue Bonds – Series 2003 and Series 2004

These bonds are authorized by the Constitution and Laws of the State of Florida, including, particularly Chapters 1000-1013, Florida Statutes, Chapter 212, Part I, Florida Statutes, and other applicable provisions of law. The bonds are secured by a pledge of the proceeds received pursuant to the Interlocal Agreement from the levy and collection by the Lake County Board of Commissioners of the one-cent local infrastructure sales surtax.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

Annual debt service requirements to maturity for all bonded debt as of June 30, 2008 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2009	\$ 1,219,073	\$ 660,000	\$ 559,073
2010	1,250,773	675,000	575,773
2011	1,275,091	730,000	545,091
2012	1,291,510	780,000	511,510
2013	1,296,335	820,000	476,335
2014-2018	6,106,951	4,335,000	1,771,951
2019-2023	4,012,113	3,175,000	837,113
2024-2028	2,062,813	1,830,000	232,813
Total State School Bonds	<u>18,514,659</u>	<u>13,005,000</u>	<u>5,509,659</u>
Sales Tax Revenue Bonds:			
2009	\$ 5,688,403	\$ 3,925,000	\$ 1,763,403
2010	5,721,407	4,055,000	1,666,407
2011	5,764,193	4,210,000	1,554,193
2012	5,804,545	4,380,000	1,424,545
2013	5,856,840	4,575,000	1,281,840
2014-2018	29,914,499	26,615,000	3,299,499
Subtotal Sales Tax Revenue Bonds	<u>58,749,887</u>	<u>47,760,000</u>	<u>10,989,887</u>
Unamortized Premium	1,217,430	1,217,430	
Total Sales Tax Revenue Bonds	<u>59,967,317</u>	<u>48,977,430</u>	<u>10,989,887</u>
Total	<u>\$ 78,481,976</u>	<u>\$ 61,982,430</u>	<u>\$ 16,499,546</u>

9. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 2000-A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for all future debt service payments on the old State School Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds have been removed from the government-wide financial statements.

In prior years, the Board defeased in substance certain outstanding certificates of participation (COPs) by placing the proceeds of new COPs in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust assets and the liability for the in-substance defeased COPs have been removed from the government-wide financial statements.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

As of June 30, 2008, debt considered defeased in substance is as follows:

Bond Issues	Amount Outstanding
State School Bonds, Series 2000-A	\$ 325,000
Certificates of Participation, Series 1998	64,335,000
Certificates of Participation, Series 2002	25,625,000
 Total Defeased Debt	 \$ 90,285,000

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 62,080,000	\$ 2,990,000	\$ 4,305,000	\$ 60,765,000	\$ 4,585,000
Unamortized Premium	1,340,047		122,617	1,217,430	
 Total Bonds Payable	 63,420,047	 2,990,000	 4,427,617	 61,982,430	 4,585,000
 Certificates of Participation Payable	 325,585,000		 8,470,000	 317,115,000	 9,155,000
Unamortized Premium	13,052,116		869,704	12,182,412	
 Total Certificates of Participation Payable	 338,637,116		 9,339,704	 329,297,412	 9,155,000
 Obligations Under Capital Lease	 5,423,069		 2,577,556	 2,845,513	 1,586,722
 Other Postemployment Benefits Payable		 2,538,677	 1,091,478	 1,447,199	
 Compensated Absences Payable	 18,269,916	 2,355,572	 888,380	 19,737,108	 1,560,000
 Total Governmental Activities	 \$ 425,750,148	 \$ 7,884,249	 \$ 18,324,735	 \$ 415,309,662	 \$ 16,886,722

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

11. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2008-2009 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 2,963,744	\$
Capital Projects - Other Capital Projects		1,657,776
Nonmajor Governmental Funds		1,305,968
Total	<u>\$ 2,963,744</u>	<u>\$ 2,963,744</u>

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be repaid within twelve months.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 10,152,667	\$
Nonmajor Governmental Funds	25,973,246	36,125,913
Total	<u>\$ 36,125,913</u>	<u>\$ 36,125,913</u>

The principal purposes of interfund transfers are the provision of funds for repayment of debt service principal and interest payments, and the funding of certain maintenance costs.

13. DONOR-RESTRICTED ENDOWMENTS

During the 2003-2004 fiscal year the District became the administrator of the Lester J. Bodley Trust Fund in the amount of \$200,000. The terms of the Trust require that the income of the Trust be divided equally between a graduating male and female student from Leesburg High School. These students, who in the sole judgment of the School Board, shall have made the most overall personal improvement during the four years of his or her high school career. The gifts from the Trust each year are to be given on a one-time basis. The Trust is reported as a Private-Purpose Trust Fund in the District's basic financial statements. Any earnings received on the Private-Purpose Trust Fund investments are earnings that are held in a fiduciary capacity and are not available for general appropriation.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-2008 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 90,807,195
Categorical Educational Programs:	
Class Size Reduction	39,105,774
Transportation	8,717,889
Instructional Materials	4,191,080
Discretionary Lottery Funds	1,878,825
Excellent Teaching Program	1,215,566
Florida Teachers Lead Program	750,876
Classrooms for Kids (Capital Outlay)	31,512,781
Class Size Reduction Construction	26,675,596
Gross Receipts Tax (Public Education Capital Outlay)	16,035,551
Workforce Development Program	4,870,479
Preschool Projects	2,023,995
School Recognition	1,955,985
CO&DS withheld for SBE Bonds	979,549
Capital Outlay - Charter Schools	557,687
Motor Vehicle License Tax (Capital Outlay and Debt Service)	466,634
Mobile Home License Tax	387,227
School Breakfast/ Lunch Supplement	198,667
Racing Commission Funds	148,833
State Gas Tax Reimbursement	121,818
Full Service Schools	102,088
Interest on Undistributed CO&DS	34,850
Adults with Disabilities	32,820
CO&DS withheld for Administrative Expenses	22,436
Miscellaneous	445,248
Total	\$ 233,239,449

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 Final Certified Taxable Value of Property in the County of \$22,528,910,000 for the 2007-2008 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.996	\$ 112,140,395
Basic Discretionary Local Effort	0.702	15,757,117
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>44,892,072</u>
 Total	<u><u>7.698</u></u>	<u><u>\$ 172,789,584</u></u>

16. STATE RETIREMENT PROGRAM

All regular employees of the District are covered by the Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Division of Retirement, Department of Management Services and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 837 District participants during the 2007-2008 fiscal year. Required contributions made to PEORP totaled \$2,586,631.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

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

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ending June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$11,629,511, \$15,540,911, and \$16,197,755, respectively, which were equal to the required contributions for each fiscal year.

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

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

17. POSTEMPLOYMENT HEALTH CARE BENEFITS

For the 2007-08 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the District. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$30,749,335 at the October 1, 2007, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. The Postemployment Health Care Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The Postemployment Health Care Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. The District plans to fund this postemployment benefit on a pay-as-you-go basis. For the 2007-08 fiscal year, 286 retirees received postemployment health care benefits. The District provided required contributions of \$1,091,478 toward the annual other postemployment benefits (OPEB) cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$1,665,955.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for Postemployment Health Care Benefits:

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

Description	Amount
Normal Cost (service cost for one year)	\$ 1,493,400
Amortization of Unfunded Actuarial Accrued Liability	1,045,277
Interest on Normal Cost and Amortization	2,538,677
Annual Required Contribution	2,538,677
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	(1,091,478)
Annual OPEB Cost (Expense)	2,538,677
Contribution Toward the OPEB Cost	(1,091,478)
Increase in Net OPEB Obligation	1,447,199
Net OPEB Obligation, Beginning of Year	1,447,199
Net OPEB Obligation, End of Year	\$ 1,447,199

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (first year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance 10/01/07 2007-08	\$ 2,538,677	42.99%	\$ 1,447,199

Funded Status and Funding Progress. As of June 30, 2008, the actuarial accrued liability for benefits was \$30,749,335, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$30,749,335. The covered payroll (annual payroll of active participating employees) was \$147,423,032 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.86 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and to estimate the District's 2007-08 fiscal year annual required contribution. This method was selected because it produced the lowest OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 16 percent initially for the 2007-08 fiscal year, reduced by 6 percent in the first year and 0.5 percent thereafter to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 29 years.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

18. CONSTRUCTION CONTRACT COMMITMENTS

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

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Carver Middle			
Architect	\$ 1,178,262	\$ 1,178,262	\$
Contractor	20,870,951	20,371,522	499,429
Mascotte Elementary			
Architect	501,520	501,520	
Contractor	15,082,506	14,413,598	668,908
South Lake High Addition			
Architect	474,180	470,550	3,630
Contractor	8,977,729	8,706,466	271,263
Minneola Elementary			
Architect	585,820	585,820	
Contractor	16,529,388	16,411,411	117,977
Middle School "DD"			
Architect	1,278,570	1,268,912	9,658
Contractor	33,090,323	32,255,108	835,215
Totals	<u>\$ 98,569,249</u>	<u>\$ 96,163,169</u>	<u>\$ 2,406,080</u>

19. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District limits its exposure to these risks through its membership in the Preferred Governmental Insurance Trust (Trust). The Trust provides coverage for public entities within the State of Florida. The Trust is organized to meet and fulfill a member's obligations and liabilities under the Florida Workers' Compensation Act, and to write certain other lines of coverage including property protection, money and securities, employee fidelity and faithful performance, boiler and machinery, and general and auto liability to participating members. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

On July 1, 2007, the District entered a participation agreement with five school districts to purchase property insurance coverage through the Trust. Under this agreement, the District shares \$100,000,000 of coverage on a per occurrence basis with a \$25,000 deductible for all other perils excluding wind damage from a named storm. The deductible for a named storm is 5 percent of the Total Insured Value, per location, subject to a minimum of \$50,000 deductible per occurrence. This participation agreement allowed the District to increase its coverage from \$25,000,000 to a shared \$100,000,000.

Health and hospitalization and life insurance coverage are being provided through purchased commercial insurance.

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2008

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

20. LITIGATION AND CONTINGENCIES

The District is subject to potential litigation in the normal course of business. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liability on uninsured risks, that the amount of losses resulting from litigation, which exceed the above-mentioned limits, would not be material to the financial position of the District.

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by grantors, cannot be determined at this time. In the opinion of the management of the District, no material refunds will be required as a result of expenditures disallowed by grantors.

21. SUBSEQUENT EVENTS

On October 13, 2008, the District entered into three separate construction management contracts to build an elementary, a middle, and a high school. A Guaranteed Maximum Price (GMP) amendment on each project will be presented for Board approval in the 2008-09 fiscal year. The proposed project budgets for each of these projects are \$26,290,450, \$49,400,000, and \$62,143,514, respectively.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE GENERAL FUND

For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Under/ (Over)
Revenues				
Intergovernmental:				
Federal Direct				
ROTC	\$ 200,000	\$ 225,119	\$ 221,859	\$ (3,260)
Federal Through State				
Medicaid	200,000	201,557	412,943	211,386
National Forest Funds	120,000	142,529	142,529	
Miscellaneous Federal Through State Funds	225,000	597,408	372,408	(225,000)
State				
Florida Educational Finance Program	104,258,009	90,807,195	90,807,195	
Categorical Educational Programs	56,673,406	54,644,444	54,644,444	
Workforce Development Program	5,067,726	4,855,604	4,855,604	
School Recognition	1,910,350	1,955,985	1,955,985	
Excellent Teaching Program	1,200,000	1,215,566	1,215,566	
Miscellaneous State Funds	1,416,555	1,473,894	3,063,781	1,589,887
Local:				
District School Tax	122,201,240	122,427,603	121,448,446	(979,157)
Investment Income	1,500,000	1,500,000	1,640,971	140,971
Miscellaneous Local Funds	1,550,000	2,788,964	3,315,704	526,740
Total Revenues	296,522,286	282,835,868	284,097,435	1,261,567
Expenditures				
Current - Education:				
Instruction				
Salaries	122,916,526	112,696,901	109,544,068	3,152,833
Employee Benefits	32,528,080	30,966,217	30,438,717	527,500
Purchased Services	39,681,121	40,293,696	39,262,398	1,031,298
Energy Services	14,500	16,705	4,958	11,747
Materials and Supplies	10,954,826	6,921,722	5,218,304	1,703,418
Capital Outlay	346,176	1,264,008	991,443	272,565
Other Expenses	1,643,433	2,715,634	2,613,413	102,221
Pupil Personnel Services				
Salaries	9,613,958	9,632,078	9,632,078	
Employee Benefits	2,921,747	2,932,535	2,881,012	51,523
Purchased Services	355,290	377,930	343,015	34,915
Energy Services	30	30	25	5
Materials and Supplies	98,733	126,005	117,211	8,794
Capital Outlay	47,641	60,817	18,490	42,327
Other Expenses	5,800	148,203	148,203	
Instructional Media Services				
Salaries	2,291,361	2,397,606	2,397,606	
Employee Benefits	652,248	662,569	644,666	17,903
Purchased Services	67,382	148,773	136,364	12,409
Energy Services	1,000	1,179	1,179	
Materials and Supplies	47,831	156,490	133,556	22,934
Capital Outlay	212,133	495,694	456,378	39,316
Other Expenses	18,250	50,371	39,041	11,330
Instruction and Curriculum Development Services				
Salaries	2,210,050	2,209,365	2,199,221	10,144
Employee Benefits	602,133	623,513	602,515	20,998
Purchased Services	252,784	986,542	533,890	452,652
Energy Services	2,400	2,891	2,223	668
Materials and Supplies	31,678	111,930	28,103	83,827
Capital Outlay	28,136	46,917	26,067	20,850
Other Expenses	8,070	22,257	19,141	3,116
Instructional Staff Training Services				
Salaries	3,198,671	2,985,645	2,985,645	
Employee Benefits	854,649	810,896	810,896	
Purchased Services	370,537	525,509	388,990	136,519
Materials and Supplies	91,854	221,013	200,198	20,815
Capital Outlay	141,032	147,751	73,186	74,565
Other Expenses	191,155	447,702	432,040	15,662

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Under/ (Over)
Instruction Related Technology				
Salaries	1,435,685	1,537,569	1,537,569	
Employee Benefits	408,233	421,871	420,829	1,042
Purchased Services	3,432,065	335,852	205,209	130,643
Materials and Supplies	100,181	92,973	72,906	20,067
Capital Outlay	873,438	1,164,247	444,611	719,636
Other Expenses	15,960	15,960	5,155	10,805
Board of Education				
Salaries	183,627	247,827	233,426	14,401
Employee Benefits	66,215	80,415	77,348	3,067
Purchased Services	305,000	888,176	848,249	39,927
Materials and Supplies	1,930	7,666	7,239	427
Capital Outlay		5,300	2,526	2,774
Other Expenses	30,300	32,231	30,986	1,245
General Administration				
Salaries	632,668	618,787	617,776	1,011
Employee Benefits	168,103	151,534	148,580	2,954
Purchased Services	142,161	164,997	93,017	71,980
Energy Services	2,500	2,500	1,365	1,135
Materials and Supplies	16,815	16,447	7,654	8,793
Capital Outlay	22,544	20,626	2,959	17,667
Other Expenses	25,765	27,100	21,813	5,287
School Administration				
Salaries	12,691,639	13,082,566	13,082,566	
Employee Benefits	3,674,254	3,745,244	3,728,162	17,082
Purchased Services	30,263	281,891	197,584	84,307
Materials and Supplies	8,270	123,637	107,975	15,662
Capital Outlay	1,000	65,162	21,530	43,632
Other Expenses	30,000	150,217	127,313	22,904
Facility Services - Non-Capitalized				
Salaries	724,463	2,494	2,494	
Employee Benefits	198,341	25	25	
Capital Outlay	11,698			
Fiscal Services				
Salaries	1,431,982	1,349,480	1,349,480	
Employee Benefits	416,134	377,640	377,640	
Purchased Services	537,255	137,458	77,624	59,834
Energy Services	3,528	4,213	4,213	
Materials and Supplies	26,375	25,768	23,865	1,903
Capital Outlay	54,515	43,450	16,040	27,410
Other Expenses	16,240	10,408	10,408	
Food Service				
Salaries		20,543	20,543	
Employee Benefits		6,900	6,900	
Other Expenses		67,874	67,874	
Central Services				
Salaries	2,822,718	2,939,842	2,919,159	20,683
Employee Benefits	795,640	828,838	819,180	9,658
Purchased Services	1,745,352	1,377,446	807,926	569,520
Energy Services	34,180	31,364	21,177	10,187
Materials and Supplies	308,828	294,820	252,546	42,274
Capital Outlay	237,083	313,140	67,173	245,967
Other Expenses	167,855	80,370	48,899	31,471
Pupil Transportation Services				
Salaries	7,063,719	7,367,451	7,367,451	
Employee Benefits	3,302,085	3,438,973	3,438,973	
Purchased Services	2,119,648	2,327,822	1,957,785	370,037
Energy Services	3,233,740	3,126,145	2,594,694	531,451
Materials and Supplies	843,543	899,543	731,552	167,991

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Under/ (Over)
Capital Outlay	58,366	58,365	20,836	37,529
Other Expenses	328,886	584,511	584,511	
Operation of Plant				
Salaries	5,940,238	5,802,229	5,802,229	
Employee Benefits	2,638,135	2,645,349	2,618,867	26,482
Purchased Services	8,288,538	7,696,879	6,561,061	1,135,818
Energy Services	8,455,167	8,452,680	7,483,082	969,598
Materials and Supplies	55,462	739,068	676,854	62,214
Capital Outlay	27,096	262,029	110,373	151,656
Other Expenses	200	85,224	83,825	1,399
Maintenance of Plant				
Salaries	3,911,460	4,140,819	4,140,819	
Employee Benefits	1,417,852	1,488,262	1,484,630	3,632
Purchased Services	558,338	618,415	376,131	242,284
Energy Services	183,387	230,618	228,645	1,973
Materials and Supplies	277,076	427,052	283,739	143,313
Capital Outlay	360,315	52,998	43,015	9,983
Other Expenses	55,040	43,451	43,451	
Administrative Technology Services				
Salaries	273,464	292,962	292,748	214
Employee Benefits	77,759	82,161	80,136	2,025
Purchased Services	73,919	86,576	50,026	36,550
Materials and Supplies	20,415	23,105	14,057	9,048
Capital Outlay	160,750	102,257	24,190	78,067
Other Expenses	3,040	3,040	1,140	1,900
Community Services				
Salaries	14,187	25,463	25,463	
Employee Benefits	2,627	5,606	5,606	
Purchased Services	17,600	37,335	11,713	25,622
Materials and Supplies	10,000	47,409	27,894	19,515
Other Expenses		13,849	13,448	401
Fixed Capital Outlay:				
Facilities Acquisition and Construction		8,563	8,563	
Other Capital Outlay		752,494	752,494	
Debt Service:				
Retirement of Principal		2,367,395	2,367,395	
Interest and Fiscal Charges		147,708	147,708	
Total Expenditures	316,004,040	306,883,768	292,716,857	14,166,911
Excess (Deficiency) of Revenues Over Expenditures	(19,481,754)	(24,047,900)	(8,619,422)	15,428,478
Other Financing Sources (Uses)				
Transfers In	11,250,000	10,271,317	10,152,667	(118,650)
Loss Recoveries		92,000		(92,000)
Transfers Out		(352,341)		352,341
Total Other Financing Sources (Uses)	11,250,000	10,010,976	10,152,667	141,691
Net Changes in Fund Balance	(8,231,754)	(14,036,924)	1,533,245	15,570,169
Fund Balance, July 1, 2007	21,387,269	26,252,216	26,252,216	
Fund Balance, June 30, 2008	\$ 13,155,515	\$ 12,215,292	\$ 27,785,461	\$ 15,570,169

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Fiscal Year Ended June 30, 2008

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:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 1,336,071	\$
National School Lunch Program	10.555	300	5,999,146	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	972,330	
Total Child Nutrition Cluster			8,307,547	
Child and Adult Care Food Program	10.558	None	137,729	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	142,529	
Total United States Department of Agriculture			8,587,805	
United States Department of Education:				
Direct:				
Fund for the Improvement of Education	84.215	N/A	1,027,772	
Teacher Incentive Fund	84.374	N/A	378,373	
Total Direct			1,406,145	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	9,515,904	1,145,974
Special Education - Preschool Grants	84.173	267	194,287	
Total Special Education Cluster			9,710,191	1,145,974
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	342,521	342,521
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	6,628,267	419,355
Migrant Education - State Grant Program	84.011	217	37,175	
Title I Program for Neglected and Delinquent Children	84.013	223	42,831	
Career and Technical Education - Basic Grants to States	84.048	151	473,069	121,900
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	141,651	
Tech-Prep Education	84.243	157	193,699	
Charter Schools	84.282	298	369,401	369,401
Twenty-First Century Community Learning Centers	84.287	244	633,981	
State Grants for Innovative Programs	84.298	113	25,069	
Education Technology State Grants	84.318	121, 122	412,135	
Reading First State Grants	84.357	211	507,053	
English Language Acquisition Grants	84.365	102	452,504	
Improving Teacher Quality State Grants	84.367	224	1,535,030	
Washington County District School Board:				
Reading First State Grants	84.357	None	7,500	
Total Indirect			21,512,077	2,399,151
Total United States Department of Education			22,918,222	2,399,151
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	232, 234	132,836	
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	179,862	
Navy Junior Reserve Officers Training Corps	None	N/A	41,997	
Total United States Department of Defense			221,859	
Total Expenditures of Federal Awards			\$ 31,860,722	\$ 2,399,151

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850-488-5534
Fax: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lake County District School Board as of and for the fiscal year ended June 30, 2008, 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 Lake 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. The financial statements of the Educational Foundation of Lake County, Inc., were not audited in accordance with *Government Auditing Standards*.

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, 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 operational matters that we reported to District management in our report No. 2009-067.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
December 23, 2008



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850-488-5534
Fax: 850-488-6975

The President of the Senate, the Speaker of the
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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 Lake County District School Board'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, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

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 a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

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 deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

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 the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit - A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
December 23, 2008

**LAKE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) and Title I Grants to Local Educational Agencies (CFDA No. 84.010)
Dollar threshold used to distinguish between Type A and Type B programs:	\$955,821.66
Auditee qualified as low-risk auditee?	Yes

**LAKE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding 1:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$15,000

Eligibility - Food Service Meal Reimbursements. Title 7, Section 210.8 and 220.11, Code of Federal Regulations, requires the District to establish internal controls which ensure the accuracy of meal counts prior to the submission of monthly Federal claims for reimbursement. To be entitled to Federal reimbursement, claims are limited to the number of free, reduced-price, and paid meals that are served to children eligible for free, reduced-price and paid lunches for each day of operation. The District operated a school food service program at each District school that provided meals to participating students, and the District received Federal reimbursements, totaling approximately \$7.5 million, for the 2007-08 fiscal year. The District processed food service collections through a point-of-sale computer system which utilized codes assigned to students to determine student payment status (free, reduced-price, or paid) and to classify food sales collections. The number of free, reduced-price, and paid meals served was submitted monthly to the Florida Department of Education (FDOE) for reimbursement at the agreed-upon Federal rate.

We requested supporting documentation for Federal reimbursement claims submitted to FDOE for 3 of the 49 food service sites for two months, and noted that claims were generally supported. However, District records could not be provided to support meal counts, totaling 9,949, at one of the three schools for 15 of 21 serving days during May 2008. According to District personnel, the information was maintained on computer files; however, the files were lost, and other school records to support the counts were misplaced. The District received approximately \$15,000 in reimbursement for the meals served for these 15 days. The counts appeared reasonable based on our review of the District's average participation rate. District personnel indicated that, in addition to the computer files, supporting documentation in hard copy form would be maintained at the food service office in the future. When records are not sufficiently and appropriately maintained to support meal counts, there is an increased risk that Federal reimbursements may be over claimed.

Recommendation: The District should implement procedures to ensure that sufficient, appropriate documentation is maintained to support the number of meals claimed for Federal reimbursement. Further, the District should document to the FDOE the allowability of its Federal reimbursement claims, or the District should reduce its Federal reimbursements by approximately \$15,000.

District Contact Person: Gary Dodds, Director Food Service

PRIOR AUDIT FOLLOW-UP

Except as discussed in the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in previous audit reports.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit – A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LAKE COUNTY
 DISTRICT SCHOOL BOARD
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2008*

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
2007-03 (1)	Not Applicable - Subrecipient Monitoring	The District's procedures for the monitoring of subrecipients had not been formally documented, which may result in insufficient procedures to ensure adherence to the subrecipient compliance requirement.	Partially Corrected	Corrective procedures have been partially implemented and will be completed during the 2008-09 fiscal year.

(1) Finding is from the 2007 Comprehensive Annual Financial Report

**EXHIBIT – A
MANAGEMENT’S RESPONSE**



*An "A" School District
Leading our Children to Success*

201 West Burleigh Boulevard • Tavares • FL 32778-2496
(352) 253-6500 • Fax: (352) 343-0198 • www.lake.k12.fl.us

Superintendent:
Susan Moxley, Ed.D.

School Board Members:
District 1
Larry Metz
District 2
Rosanne Brandenburg
District 3
Cindy Barrow
District 4
Debbie Stivender
District 5
Kyleen Fischer

December 19, 2008

Mr. David W. Martin, CPA
Florida Auditor General
C74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin;

We would like to take the opportunity to thank you and your staff for the assistance that the financial and Federal audit of the 2007-08 fiscal year provides to the District. We look to your recommendations as guidance and use them to focus on areas of needed improvement in our policies and procedures. In response to the Preliminary and Tentative Audit Findings, we offer the following:

Federal Awards Finding #1:

We believe that this was an isolated incident at one school and we have addressed the matter with the appropriate staff. As a District, we have implemented additional procedures to ensure that sufficient, appropriate documentation is maintained, at all sites, to support the number of meals claimed for Federal reimbursement. In addition, we have implemented procedures to ensure duplicate computer files are maintained at the District level as back-up. We will seek guidance from FLDOE as to the allowability of the specific questioned costs.

We would like to take the opportunity to recognize Auditor General Staff members, Brenda Racis and Pat Tindel, for the professional manner in which the audit was conducted. We appreciate their dedication and commitment to the review of our financial statements and our Comprehensive Annual Financial Report.

Respectfully submitted,

Carol J MacLeod, CPA
Chief Financial Officer
Lake County Schools