AUDITOR GENERAL

DAVID W. MARTIN, CPA

BREVARD COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2007

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

	District No.
Robert L. Jordan, Jr., Chair	*1*
Dr. Barbara A. Murray, from 11-21-06	*2*
Bea D. Fowler, to 11-20-06	*2*
Amy Kneessy	*3*
Larry E. Hughes	*4*
Janice Kershaw, Vice-Chair	*5*

Dr. Richard A. DiPatri, Superintendent

AUDITOR GENERAL

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

BREVARD COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
FINDINGS AND RECOMMENDATIONS	1
FINANCIAL SECTION	9
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	10
MANAGEMENT'S DISCUSSION AND ANALYSIS	13
BASIC FINANCIAL STATEMENTS	22
FEDERAL REPORTS AND SCHEDULES	71
MANAGEMENT RESPONSE SECTION	80

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Brevard County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2007, in accordance with prescribed financial reporting standards. Four of the District's legally separate component units were not included within the scope of our audit.

Summary of Report on Internal Control and Compliance

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

Finding No. 1: Financial Reporting

Improvements are needed in District procedures to ensure the accuracy and completeness of the District's financial statements.

Finding No. 2: Comprehensive Procedures Manual

The District has developed a comprehensive procedures manual pertaining to the District's financial operations and related activities. However, the District has not established procedures to ensure that the manual is revised when significant processes are modified.

Finding No. 3: Bank Reconciliations

The District's monthly bank reconciliation procedures were inadequate to ensure that the cash assets agree with the accounting records, and that unrecorded or improperly recorded transactions are promptly detected and corrected.

Finding No. 4: Capital Asset Controls

Improvements are needed in the District's accounting procedures for capital outlay and capital asset transactions.

Finding No. 5: Unreconciled and Unsupported Account Balances

The District did not perform reconciliations to supporting documentation for various accounts, including Due from Other Agencies and Deferred Revenue accounts in its Special Revenue – Federal Fund. Additionally, some payroll liability account balances in the District's General Fund either had debit balances (normally, these accounts have credit balances) or had unreconciled differences between postings to the payroll records and postings to the general ledger.

Finding No. 6: Health Self-Insurance - Monitoring

Our review disclosed deficiencies in the District's monitoring procedures over the claims payment and reimbursement process for its self-insurance health program.

Finding No. 7: Health Self-Insurance – Net Assets

The District's employee self-insurance health program has accumulated net assets in excess of program needs.

Finding No. 8: Cash Management

Our review of Federal cash advances received through the Florida Department of Education during the 2006-07 fiscal year to fund various Federal programs disclosed that advances of cash sufficient to meet expenditure needs of Federal programs were not requested by the District.

Finding No. 9: Payroll Processing

The credit union utilized by the District to process employee direct deposits is not designated as a qualified public depository. In addition, the District did not monitor this account to determine if

undisbursed funds should be transferred back to the District's primary financial institution. Nor was the rate of return earned on these funds competitive with other District investments.

Finding No. 10: Bank Services

The District has not periodically solicited proposals and prepared formal analyses to compare the provisions of its banking agreement (minimum required balances, interest earned, cost of services provided, etc.) with other available financial institutions to ensure that it is receiving those services at the lowest and best price.

Finding No. 11: Cellular Telephones

District procedures do not require, and employees are not providing, records of each cellular telephone call and its business purpose. As such, the District should have reported to the Internal Revenue Service the value of cell phone services provided to each employee assigned a cell phone. Additionally, although the District is exempt, our review of cell phone invoices disclosed instances in which the District paid the local communication services tax and the wireless E911 fees.

Finding No. 12: Information Technology – Separation of Duties

We noted instances of questionable employee access privileges that should be made more restrictive by the District to enforce an appropriate separation of duties. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising District information.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Impact Aid and Title I Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Corrected, or are in the process of correcting, all deficiencies disclosed in 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, 2007. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

This audit was coordinated by Mark D. Kenny, CPA, and supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039. The information technology portion of this audit was coordinated by Kathy Sellers, CISA, and supervised by Nancy M. Reeder, CPA, CISA. Please address inquiries regarding information technology findings included in this report to Jon Ingram, CPA, CISA, Audit Manager, via e-mail at joningram@aud.state.fl.us or by telephone at (850) 488-0840.

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

FINDINGS AND RECOMMENDATIONS

Significant Deficiencies

Finding No. 1: Financial Reporting

Our review of the District's 2006-07 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances on the financial statements. For example, we noted that reported account balances in the District's financial statements, before audit adjustments, were (understated) and overstated as summarized below:

Account	Exhibit	Reporting Level	Amount (Under) Over Stated
Compensated Absences Payable	Statement of Net Assets	Governmental Activities	$ (5,238,498.00)
Compensated Absences Payable	Statement of Net Assets	Business-Type Activities	(56,588.00)
Salaries and Benefits Payable	Balance Sheet	Govt. Funds - General Fund	2,697,961.00
Investments	Balance Sheet	Govt. Funds - Debt Service - Other Fund	554,390.06

The (understated) and overstated amounts occurred because of accounting staff turnover.

We also noted that improvements are needed in the District's classification of capital outlay expenditures in the financial statements. The Florida Department of Education's annual financial report, and instructions thereto, require that financial statements report capital expenditures as noncapitalized (i.e., "current - expenditures") or as capitalized (i.e., "fixed capital outlay") for recording in the capital assets ledgers. Our review found that all expenditures reported in the Capital Projects Funds were reported as "fixed capital outlay" including noncapitalizable expenditures totaling approximately $21,790,000. The District had not established procedures to segregate and properly classify these expenditures in the financial statements.

We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy and completeness of the District's financial statements.

Finding No. 2: Comprehensive Procedures Manual

The District has developed a comprehensive procedures manual pertaining to the District's financial operations and related activities. However, the District had not established procedures to ensure that the manual is revised when significant processes are modified. For example, we noted that the procedures manual refers in several instances to an accounting information system that is no longer in use. Also, references in the manual to certain individuals were not accurate. The procedures manual was last revised on December 30, 2002.

Current up-to-date written procedures are necessary to ensure appropriate training of new staff, as well as provide an aid in bridging the transition in the event of changes in key personnel. Additionally, written procedures serve to document the duties of key personnel, and may also serve to communicate management's commitment to, and support of, a strong system of internal control.

Recommendation: The District should review its comprehensive procedures manual and make revisions whenever significant processes are modified.

Finding No. 3: Bank Reconciliations

Our review of monthly bank reconciliations for the master cash account disclosed the following:

- Reconciliations for 9 of 12 months contained significant unexplained differences that ranged from a negative $45,627.90 to a positive $98,240.15.
- Reconciliations for four months were not performed in a timely manner. We noted reconciliations that were completed as late as 81 days after month end. Additionally, District records did not indicate the timeliness of the reconciliations for five months due to the preparer not recording the preparation date.
- Reconciliations for 7 of 12 months were not reviewed and approved by a supervisor.

Effective internal control requires that bank reconciliations be performed on a routine basis and be reviewed by supervisory personnel to provide reasonable assurance that the cash assets agree with those recorded in the accounting records and that unrecorded or improperly recorded transactions are promptly detected and corrected.

Recommendation: The District should timely reconcile bank statements; document the dates and employees who prepared and reviewed the reconciliations; thoroughly document and resolve all reconciling items; and adjust its records or provide for adjustments to the banks' records as appropriate.

Finding No. 4: Capital Asset Controls

Improvements are needed in the District's accounting procedures for capital outlay and capital asset transactions:

- The District lacks detailed listings of all land, buildings, and non-building improvements. Currently, the District calculates its year-end balance for its land, buildings, and non-building improvements accounts by adding current year additions to the prior year balance; however, there is no detail by site for these asset categories. In the event of the sale, loss, or impairment of any of the District's land, buildings, or nonbuilding improvements, it may not be possible for the District to determine the undepreciated cost of the asset for removal from the District's financial records.
- The District did not place a value on certain land received from developers. In prior fiscal years, the District received from a development corporation two parcels of land totaling approximately 30 acres for the Quest and the Manatee Elementary schools. During the 2006-07 fiscal year, two additional sites totaling approximately 74 acres (for Viera High School and a middle school) were received. The District did not obtain appraisals for these land parcels. Consequently, absent a fair market value for the parcels, the District did not record the value of the land in its financial statements.
- For the 2006-07 fiscal year, additions to the detailed property records for furniture, fixtures, and equipment (FFE) and audio visual materials and computer software (AV/CS) were not reconciled with applicable capital outlay expenditures. The total difference for these accounts amounted to $3,098,055.26 (expenditures greater than additions to the property records) with the breakdown below. A similar finding was noted in our report No. 2005-191.

Capital Asset Type	Capital Asset Additions	Capital Outlay Expenditures	Difference
FFE	$ 9,989,749.27	$ 12,526,327.78	$ 2,536,578.51
AV/CS	1,468,360.86	2,029,837.61	561,476.75

Given the number of transactions, it was not practicable on postaudit for us to analyze these records to determine the extent to which the differences might have been caused by timing differences between the purchase of the assets and the recording of those assets, misclassification of capital outlay expenditures, or other factors.

- The District's tangible personal property subsidiary records did not properly capture all capital purchases and donations. Our review disclosed $781,726 of acquisitions that were entered into the subsidiary records, but did not contain account coding to identify the asset type. As a result, these assets were not included in the FFE balance reported by the District in its financial statements. Adjustments to the District's basic financial statements were accepted by the District to properly report the FFE account balance.
- The District has chosen to calculate depreciation using the composite method. Under the composite method, assets' useful lives are determined by averaging the useful lives of individual items within a class of capital assets, with the average then applied to the entire class. While the District's calculation of depreciation appears to be reasonable, the District's determination of useful lives for each class of assets was not supported by documentation of any testing or review of the individual useful lives of a sample of individual assets. This is an important control to prevent the misstating of depreciation and the related net cost of capital assets. The District has indicated that it plans to implement the fixed asset component of its new general ledger software package which provides for the tracking of the useful life of individual assets.

Recommendation: The District should strengthen procedures to ensure the adequacy and accuracy of capital assets records and the related reported balances.

Finding No. 5: Unreconciled and Unsupported Account Balances

The District did not perform reconciliations to supporting documentation for various accounts, including Due from Other Agencies and Deferred Revenue accounts in its Special Revenue – Federal Fund. Specifically, the District tracks cash received for Federally-funded programs from the Florida Department of Education (FDOE), but does not compare the general ledger to the Federal cash account balances based on records from FDOE. For example, at June 30, 2007, the amount shown as Due from Other Agencies in the general ledger was approximately $82,000 less than the Federal account balance shown on FDOE records. Additionally, some payroll liability account balances in the District's General Fund either had debit balances (normally, these accounts have credit balances) or had unreconciled differences between postings to the payroll records and postings to the general ledger. An effective system of internal control includes procedures that provide for general ledger accounts to be periodically reconciled with detailed supporting records to provide reasonable assurance that asset and liability balances are comprised of valid amounts and properly valued. Similar findings were noted in our report No. 2005-112.

Recommendation: The District should develop a reconciliation process to periodically compare general ledger receivable and payable balances to detailed supporting records in order to promptly detect and correct any unrecorded or improperly recorded transactions.

Finding No. 6: Health Self-Insurance – Monitoring

Pursuant to the provisions of Section 1011.18(6), Florida Statutes, the District contracted with four third-party administrators (TPAs) to administer the District's self-insurance health program, including the processing, investigating, and payment of claims. The four TPAs for the District's self-insurance health program processed and received reimbursement from the District for approximately $50 million in health claims during the 2006-07 fiscal year. Our review disclosed that the District could improve internal controls over the claims payment and reimbursement process, as noted below:

- The District reimbursed one TPA for claims amounting to approximately $20 million paid by the TPA to vendors (doctors, hospitals, clinics, etc.) based upon a "Daily Cleared Check Summary". The District did not receive detailed claims information evidencing pertinent information, such as: the patient name, claim number, service date, or the vendor and amount paid to the vendor. The receipt of detailed claims information provides the District assurance that claim payments represent valid claims.
- Our review disclosed that although the TPAs maintained specific documentation supporting each invoiced amount, the District had not requested such documentation or tested specific claim payments on at least a sample basis during the 2006-07 fiscal year. A review of the underlying claims support by District personnel on at least a sample basis would help to ensure that payments to TPAs are for valid health claims of the District. Our test of claims documentation indicated that selected claims payments made by the TPAs were supported and made on behalf of eligible participants; however, our audit procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.
- The District does not receive monthly bank statements or reconciliations from its TPAs for its claims revolving funds. Claims revolving funds are established in the District's name for the settlement and payment of self-insurance claims on behalf of the District. Without the District receiving monthly bank statements or bank reconciliations of its claims revolving funds, the District would be unaware of mistakes or instances of fraud relating to these accounts.
- District personnel did not request or obtain for any of their TPAs a service organization report as described in *Statement on Auditing Standards No. 70* (SAS 70) as promulgated by the American Institute of Certified Public Accountants. A SAS 70 (service organization) report is a report on the suitability of policies and procedures placed in operation to achieve specified control objectives and tests of operating effectiveness for a service organization.

Recommendation: The District should establish procedures to obtain sufficient claims detail information and periodically inspect claims documentation maintained by TPAs on at least a sample basis to ensure the validity of charges to the self-insurance health program; request copies of bank statements or reconciliations for its claims revolving funds; and request service organization reports covering the operating effectiveness of the TPAs' internal controls over the processing of claims.

Additional Matters

Finding No. 7: Health Self-Insurance – Net Assets

The District has established an Internal Service Fund to account for the activities of its employee self-insurance health program. Pursuant to generally accepted accounting principles, internal service funds are used to account

for activities that provide goods and services to other funds, departments, or agencies on a cost reimbursement, or break even, basis. Thus, the objective of an internal service fund is not to make a profit but rather to recover over a period of time the total cost of providing the goods or services. A long-term, significant surplus is evidence of overcharges to the participants. Over the last three fiscal years, the Fund has accumulated net assets as follows:

Fiscal Year Ended June 30	Net Assets
2005	$ 21,406,000
2006	28,024,000
2007	26,786,000

Monthly financial reports are regularly placed before the Board and the health insurance program is periodically reviewed by District administrative personnel. To address the increasing net assets balance, the Board took the following actions during the 2006-07 fiscal year:

- The Board's average monthly contribution was decreased from $545.90 per month to $524.23 per month per employee.
- The Board approved a one-time event which provided that the December 2006 employee and Board contributions to the health insurance program were waived.

While the Board actions taken resulted in a reduction of available net assets for the fiscal year ended June 30, 2007, the net assets balance is still in excess of program needs. According to the District's Deputy Superintendent for Human Resources, the Board has established a net asset balance desired target level of approximately 60 days' average claims experience or $6 to $7 million. However, the Board had not addressed policies concerning accumulated amounts in excess of the target level or developed a long-term funding plan to utilize the excess amounts.

Recommendation: The Board should establish policies addressing accumulated net assets in excess of its desired net asset target for the health self-insurance program.

Finding No. 8: Cash Management

Our review of Federal cash advances received through the Florida Department of Education (FDOE) during the 2006-07 fiscal year to fund various Federal programs included a comparison of the monthly beginning cash balance plus draws (available cash) for the month to disbursements for that month. The results of our review disclosed that advances of cash sufficient to meet expenditure needs of Federal programs were not timely requested by the District, resulting in ending monthly cash deficits for ten months ranging from $452,310 to $1,464,781. These cash deficits necessitated the use of other non-Federal moneys to temporarily pay Federal costs and, as such, resulted in lost investment opportunities for these moneys. Had the District requested sufficient Federal cash advances to pay Federal expenditures as they occurred, resources from the District's

General Fund would not have been used to temporarily fund these Federal expenditures and the District could have realized additional interest earnings.

Recommendation: The District should enhance its procedures to more accurately anticipate disbursements of Federal moneys so that Federal cash balances are kept at appropriate levels to provide sufficient resources for immediate needs.

Finding No. 9: Payroll Processing

The District's payroll totaled approximately $365 million during the 2006-07 fiscal year. The District's procedure is for all employees to be paid by direct deposit. The District electronically transfers its entire periodic payroll direct deposit to a credit union, which in turn sends the payments to various financial institutions designated by the District's employees. Section 280.03, Florida Statutes, provides that the District's payroll deposits, including moneys of a school district, shall be secured in a qualified public depository. Qualified public depositories are banks, savings banks, or savings associations that have been designated as such by the Chief Financial Officer, State of Florida, and that have pledged collateral pursuant to the requirements of Section 280, Florida Statutes, to be used as security for Florida public deposits. Our review of the District's arrangement with the credit union disclosed the following:

- The credit union utilized by the District is not designated as a qualified public depository; therefore, the District is not legally authorized to use it as a depository of public funds.
- The District does not monitor this account to determine if undisbursed funds should be transferred back to the District's primary financial institution. For example, once funds are transferred into this credit union account the funds remain even if an initial employee direct deposit is cancelled and checks are reissued to employees from the District's primary financial institution due to changes in employee bank account information or other corrections. As a result, the ending balance of this account has increased from $203,052.22 as of June 30, 2005, to $301,890.12 as of June 30, 2007.
- The District did not earn a reasonable rate of return on its deposits at the credit union, as compared to the rate of return received from other District investment vehicles for the fiscal year ended June 30, 2007. The average rate of return earned by the District for its deposits at the credit union was approximately 2 percent, although other investment options were available to provide a greater return for District deposits.

Recommendation: The District should ensure that its deposits are secured at an institution designated as a qualified public depository. Additionally, the District should monitor its financial institution deposits to ensure that the balances are necessary and earn a reasonable rate of return.

Finding No. 10: Bank Services

The District's current banking services were awarded to a financial institution, pursuant to a request for proposals, on May 22, 2001. The financial institution charged various fees for services, totaling $69,382.06 during the 2006-07 fiscal year.

Since the award of banking services to this institution, the District has not periodically solicited proposals and prepared formal analyses to compare the provisions of its banking agreement (minimum required balances, interest earned, cost of services provided, etc.) with other available financial institutions to ensure the

reasonableness of the fees charged by the financial institution. Consequently, the District cannot be assured that it is obtaining customary services at the lowest and best price.

Recommendation: The District should periodically solicit proposals from several financial institutions to ensure it is obtaining banking services in the most cost effective manner.

Finding No. 11: Cellular Telephones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to District records, 460 cell phones were used during the 2006-07 fiscal year at a cost of approximately $218,000.

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

The District has adopted policies and procedures pertaining to cell phones that state, "If an employee, for emergency purposes, makes a personal call that results in additional charges to the District, the employee is required to reimburse the District by check for the related charges." The policies and procedures further state that, "Routine calls home during the commute between work and home are considered personal calls." District procedures require that cell phone invoices should be monitored monthly to confirm District versus personal usage; however, the procedures do not require, and employees are not providing, records of each call and its business purpose. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

Additionally, although the District is exempt from the local communication services tax and for wireless E911 fees according to Sections 202.125(3) and 365.172(8)(a), Florida Statutes, respectively, our review of cell phone invoices disclosed instances in which the District paid the tax and the wireless E911 fees.

Recommendation: The District should confer with the IRS regarding revisions to its policies and procedures pertaining to cell phones, as appropriate, and any corrective actions regarding previously unreported income. In addition, the District should apply for a refund of the previously paid local communication services taxes and wireless E911 fees and discontinue paying future charges.

Finding No. 12: Information Technology - Separation of Duties

Certain District staff had the capability to perform incompatible duties. We noted instances of questionable employee access privileges that should be made more restrictive by the District to enforce an appropriate separation of duties, which can assist in the detection of mistakes or errors and potential fraud. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising District information. However, appropriate personnel have been notified of these issues.

Recommendation: The District should review the duties and access capabilities of staff and implement, to the extent practicable, a proper segregation of duties.

PRIOR AUDIT FINDINGS

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

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Brevard County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in the Management Response Section of this report, beginning on page 80.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

EXHIBIT – A	*Statement of Net Assets.*
EXHIBIT – B	*Statement of Activities.*
EXHIBIT – C	*Balance Sheet – Governmental Funds.*
EXHIBIT – D	*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*
EXHIBIT – E	*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*
EXHIBIT – F	*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*
EXHIBIT – G	*Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.*
EXHIBIT – H	*Statement of Net Assets – Proprietary Funds.*
EXHIBIT – I	*Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.*
EXHIBIT – J	*Statement of Cash Flows – Proprietary Funds.*
EXHIBIT – K	*Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*
EXHIBIT – L	*Notes to Financial Statements.*

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

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

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brevard County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed on page 9. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

Accounting principles generally accepted in the United States provide criteria for including component units in an organization's financial statements. The District has identified 13 entities which meet the requirements for inclusion as component units, including 12 charter schools. As discussed in Note 1, the financial statements do not include the financial data for four charter schools. Pursuant to Section 1002.33(g), Florida Statutes, the

District is required to otherwise provide for audits of its charter schools. However, Note 1 further indicates that the charters for three of these charter schools were not subsequently renewed and that audits were, therefore, not provided by those charter schools. Accordingly, our audit did not extend to these four charter schools.

In our opinion, based on the reports of the other auditors, and except for the effects of such adjustments on the aggregate discretely presented component units, as might have been determined to be necessary for inclusion of the financial data of the remaining component units, the financial statements referred to above present fairly, in all material respects, the financial position of the remaining aggregate discretely presented component units for the Brevard County District School Board as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Brevard County District School Board as of June 30, 2007, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

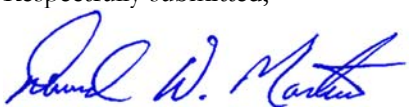
In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Brevard County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 13 through 21) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management

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

Respectfully submitted,



David W. Martin, CPA
January 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of the School Board of Brevard County, Florida (the District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2007. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 22 through 68.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2006-07 fiscal year are as follows:

- The assets of the District exceed its liabilities, for the governmental activities, at June 30, 2007, by $451.3 million. Of this amount, $363.7 million represents investments in capital assets (net of related debt) and $87.6 million represents restricted and unrestricted net assets of $34.5 million and $53.1 million, respectively.
- The District's total net assets for governmental activities increased by $42.6 million, or 10.4 percent.
- Program revenues for governmental activities account for $63.4 million, or 8.8 percent of total revenues, and general revenues account for $656.9 million, or 91.2 percent.
- The governmental funds report combined fund balances of $330 million, an increase of $106.8 million in comparison to the prior fiscal year.
- At the end of the fiscal year, the unreserved fund balance for the General Fund is $24.7 million, or 4.7 percent of the General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – The District charges fees to cover the cost of certain services it provides. These activities are for its Extended Day Program.
- Component units – The District has identified thirteen separate legal entities which meet the criteria to be included as a component unit including twelve charter schools and the Brevard Schools Foundation, Inc. This report includes nine of those component units, including eight charter schools and the Brevard Schools Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government. Additional information regarding the four charter schools that are not included can be found in the notes to the financial statements.

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

Governmental Funds. Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The District has several governmental funds: the General Fund, Debt Service Funds, Special Revenue Funds (including the School Food Services Program) and Capital Projects Funds. Within these fund types, the District

maintains 12 individual funds. Of those funds, the General Fund, one Debt Service Fund and three Capital Projects Funds are considered to be major funds.

Proprietary Funds. Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its Extended Day Care program through enterprise fund reporting. The enterprise fund is considered to be a major fund.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for its self-insurance programs.

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

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information, which is essential to fully understand data provided within the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2007, compared to net assets as of June 30, 2006:

Net Assets, End of Year
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	6-30-07	6-30-06	6-30-07	6-30-06	6-30-07	6-30-06
Current and Other Assets	$ 506,496	$ 365,002	$ 2,185	$ 1,829	$ 508,681	$ 366,831
Capital Assets	673,954	540,339	866	991	674,820	541,330
Total Assets	1,180,450	905,341	3,051	2,820	1,183,501	908,161
Long-Term Liabilities	592,717	393,770	541	484	593,258	394,254
Other Liabilities	136,401	98,352	130	131	136,531	98,483
Total Liabilities	729,118	492,122	671	615	729,789	492,737
Net Assets:						
Invested in Capital Assets - Net of Debt	363,718	220,495	866	991	364,584	221,486
Restricted	34,504	151,517			34,504	151,517
Unrestricted	53,110	41,207	1,514	1,214	54,624	42,421
Total Net Assets	$ 451,332	$ 413,219	$ 2,380	$ 2,205	$ 453,712	$ 415,424

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's governmental activities, assets exceed liabilities by $451.3 million at the end of the fiscal year.

The largest portion of the District's net assets, $363.7 million (80.6 percent), reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets, $34.5 million (7.6 percent), represents resources subject to external restrictions on how they may be used. The remaining net assets of $53.1 million (11.8 percent) are unrestricted net assets and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets, for both the government as a whole, and for its separate governmental and business-type activities.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2007, and June 30, 2006, are as follows:

Operating Results for the Year
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	6-30-07	6-30-06	6-30-07	6-30-06	6-30-07	6-30-06
Program Revenues:						
Charges for Services	$ 14,999	$ 14,790	$ 8,342	$ 7,681	$ 23,341	$ 22,471
Operating Grants and Contributions	25,755	23,003			25,755	23,003
Capital Grants and Contributions	22,607	11,096			22,607	11,096
General Revenues:						
Property Taxes, Levied for Operational Purposes	215,255	177,938			215,255	177,938
Property Taxes, Levied for Capital Projects	76,003	61,264			76,003	61,264
Grants and Contributions Not Restricted to Specific Programs	324,936	309,393			324,936	309,393
Unrestricted Investment Earnings	18,513	8,398	33	32	18,546	8,430
Miscellaneous	22,207	23,598			22,207	23,598
Total Revenues	720,275	629,480	8,375	7,713	728,650	637,193
Functions/Program Expenses:						
Instruction	362,787	309,781			362,787	309,781
Pupil Personnel Services	21,396	18,099			21,396	18,099
Instructional Media Services	9,302	9,963			9,302	9,963
Instruction and Curriculum Development Services	21,615	17,251			21,615	17,251
Instructional Staff Training	5,711	4,597			5,711	4,597
Instruction Related Technology	6,087	2,880			6,087	2,880
Board of Education	768	814			768	814
General Administration	3,253	2,516			3,253	2,516
School Administration	38,716	31,407			38,716	31,407
Facilities Acquisition and Construction	24,938	21,824			24,938	21,824
Fiscal Services	2,190	1,897			2,190	1,897
Food Services	26,250	24,767			26,250	24,767
Central Services	8,731	6,818			8,731	6,818
Pupil Transportation Services	23,189	20,672			23,189	20,672
Operation of Plant	56,575	44,869			56,575	44,869
Maintenance of Plant	8,621	7,536			8,621	7,536
Administrative Technology Services	2,986	2,331			2,986	2,331
Community Services	621	414			621	414
Interest on Long-Term Debt	21,443	15,463			21,443	15,463
Unallocated Depreciation Expense	32,510	27,547			32,510	27,547
Extended Day Program			8,200	7,529	8,200	7,529
Total Functions/Program Expenses	677,689	571,446	8,200	7,529	685,889	578,975
Increase in Net Assets	42,586	58,034	175	184	42,761	58,218
Net Assets, Beginning	413,219	355,185	2,205	2,021	415,424	357,206
Prior Period Adjustment	(4,473)				(4,473)	
Net Assets, Ending	$ 451,332	$ 413,219	$ 2,380	$ 2,205	$ 453,712	$ 415,424

Governmental Activities

After a prior period adjustment of $4.5 million for the correction of errors related to compensated absences, governmental activities increased the District's net assets by $38.1 million. Key components of this growth are as follows:

- Capital grants and contributions increased in the 2006-07 fiscal year over the 2005-06 fiscal year by $11.5 million. The growth is due to State funding received in the 2006-07 fiscal year for Classrooms for Kids.
- Property taxes in the District have increased due to the tax rolls experiencing strong growth over the past several years with an increase of 21.8 percent in the 2006-07 fiscal year as compared to 2005-06 fiscal year. This growth pattern benefits both the operating and capital projects budget; however, the District does not expect the trend to continue in future years.

- Nonrestricted grants and contributions have also increased with the majority of that increase attributed to implementation of the Class Size Amendment. The Class Size Reduction funding from the State that is earmarked for the operating budget was $58.1 million in the 2006-07 fiscal year as compared with $41.5 million in the 2005-06 fiscal year.

Business-Type Activities

The business-type activity increased the District's net assets by $0.18 million, representing 0.5 percent of the District's total net assets. The key factor of the increase is related to the continual increase in participation in the Extended Day Program and the resulting revenue increase of 8.6 percent over the 2005-06 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds report a combined fund balance of $330 million, which is a significant increase over last year's total of $220.6 million. The following schedule indicates the fund balance and the total change in fund balance by major fund versus other governmental funds as reported in the basic financial statements for the fiscal years ended June 30, 2007 and 2006.

	(In Thousands)			
	Fiscal Year		Increase	Percentage
Fund Balance	2007	2006	(Decrease)	Change
General Fund	$ 40,295	$ 41,979	$ (1,684)	4.01%
Debt Service Fund - Other	3,179	2,587	592	22.88%
Capital Projects Funds:				
Section 1011.14/1011.15 Loans	(15,039)	3,574	(18,613)	(520.79%)
Local Capital Improvement	58,607	42,104	16,503	39.20%
Other	230,009	114,276	115,733	101.28%
Other Governmental Funds	12,917	16,047	(3,130)	(19.51%)
Total	$ 329,968	$ 220,567	$ 109,401	49.60%

General Fund

The District's General Fund fund balance increased due mainly to increases in State revenue for both the State mandated class-size requirements, but also the increase due to student population growth. The tables and data that follow illustrate the financial activities and balance of the General Fund.

	(In Thousands)			
	Fiscal Year		Increase	Percentage
Revenues	2007	2006	(Decrease)	Change
Taxes	$ 215,255	$ 177,938	$ 37,317	20.97%
Interest Earnings	4,900	4,490	410	9.13%
State Revenues	295,220	278,672	16,548	5.94%
Other Revenues	5,169	6,835	(1,666)	(24.37%)
Total	$ 520,544	$ 467,935	$ 52,609	11.24%

The property tax revenue is up $37.3 million due to growth. The District anticipates tax collections will increase slightly in the 2007-08 fiscal year compared to the 2006-07 fiscal year with a 4.1 percent increase in the tax rolls and will remain rather flat in the next few years.

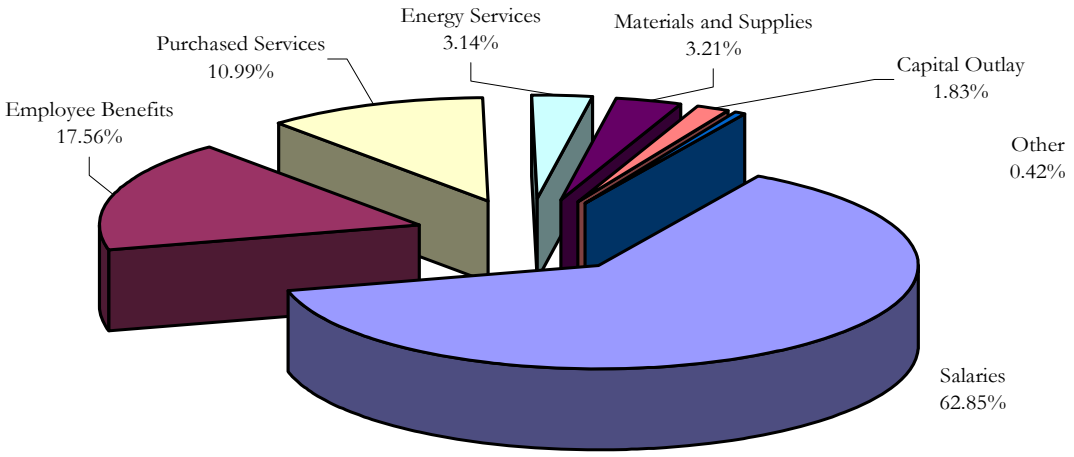
Interest earnings increased 9.3 percent over the prior year as the interest rate environment continued to improve, particularly in the short-term investment arena.

State revenues are up $16.5 million for the fiscal year ended June 30, 2007. This increase is due mainly to fiscal year 2006-07 increase in Class Size Reduction funding. This revenue is to be utilized in meeting the requirements of the constitutional amendment requiring only a certain number of students at each grade level.

As the table below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The District is a service entity and as such is labor intensive.

	(In Thousands)			
	Fiscal Year		Increase	Percentage
Expenditures by Objects	2007	2006	(Decrease)	Change
Salaries	$ 330,595	$ 300,039	$ 30,556	10.18%
Employee Benefits	92,349	89,255	3,094	3.47%
Purchased Services	57,798	40,453	17,345	42.88%
Energy Services	16,485	15,104	1,381	9.14%
Materials and Supplies	16,905	14,830	2,075	13.99%
Capital Outlay	9,621	7,006	2,615	37.33%
Other	2,220	2,469	(249)	(10.09%)
Total	$ 525,973	$ 469,156	$ 56,817	12.11%

Expenditures by Object



Expenditures are up $56.8 million, or 12.1 percent over the prior fiscal year. This increase is due, in part, to an 8 percent pay raise that was provided to employees in the 2006-07 fiscal year. Also, due to continuing growth in property insurance premiums, the District elected an early renewal rate in late April in order to lock in costs prior to hurricane season. The total cost of property insurance during the fiscal year 2006-07 increased over the fiscal year 2005-06 by 234 percent. As a result, the District will experience a different renewal cycle, going forward allowing for better negotiation rates for coverage in future years.

Debt Service – Other Fund
The fund balance of the Debt Service – Other Fund increased during the fiscal year by $0.6 million, or 22.9 percent over the prior fiscal year. This increase is due to a certificate of participation refunding.

Capital Projects – Section 1011.14/1011.15 Notes Capital Projects Fund
The fund balance of the Capital Projects – Section 1011.14/1011.15 Notes Fund decreased by $18.6 million, or 520.8 percent due to the completion of projects and takedown of funds to pay for the costs of these projects.

Capital Projects – Local Capital Improvement Fund
The fund balance of the Capital Projects – Local Capital Improvement Fund increased by $16.5 million, or 39.2 percent. This is due mainly to the timing of payments and construction projects in progress but not yet completed.

Capital Projects – Other Fund
The fund balance of the Capital Projects – Other Fund increased by $115.7 million, or 101.3 percent. This increase is due to the issuance of certificates of participation in the par amount of $194.3 million. Many of these projects are construction in progress at fiscal year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with Florida Statutes and is based on the modified accrual basis of accounting, which is the same basis as used to account for actual transactions. The most significant budgeted fund is the General Fund.

The District amended its revenue estimates to reflect more than originally anticipated revenues from interest, property taxes, and other financing sources. Local revenue was originally budgeted at $219.7 million and the actual local revenue was $223.7 million, or an increase of 1.8 percent. Included in the net increase is a 20.9 percent increase in property taxes.

The District amended its final budget for expenditures to reflect increases in salaries and health insurance costs, as well as other employee related costs. Expenditures were originally budgeted at $456.2 million and the actual expenditures increased by $69.7 million over the original budget. Other appropriations required changes in functional categories due to spending patterns.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets
The District has $674.8 million invested in capital assets net of depreciation, with virtually all of it attributed to governmental activities. This investment in capital assets includes: land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials and computer software; and property under capital lease.

Acquisitions for governmental activities totaled $168.5 million and depreciation expense was $34.8 million (with $2.3 million directly charged to the Transportation function). The majority of the acquisitions were for remodeling and renovations at various sites and buses, furniture, and computer equipment replacement

throughout the District. Detailed information regarding capital asset activity is included in the notes to financial statements.

Long-Term Debt

At June 30, 2007, the District has $537.1 million in outstanding bonds, certificates of participation, and obligations under capital lease. Of this amount, $18.5 million represents State Board of Education bonds issued on behalf of the District, $517.4 million in certificates of participation, and $1.2 million in capital leases. During the 2006-07 fiscal year, the District issued $194.3 million par value of certificates of participation to fund several projects as described in the notes to financial statements. Detailed information regarding long-term debt and notes payable activity can also be found in the notes to financial statements.

OTHER MATTERS OF SIGNIFICANCE

The millage rate for required local effort (RLE) for the 2007-08 fiscal year is projected to be 4.833 (a decrease of 0.123 mills), the discretionary millage rate remains unchanged at .510 mills, the supplemental millage rate shows a slight decrease of 0.013 mills to 0.188 and capital outlay millage rate remains at 2.0 mills. General Fund revenues are projected to be $549.3 million and expenditures are expected to be $491.9 million in the 2007-08 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Brevard County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Financial Services, Brevard County District School Board, 2700 Judge Fran Jamieson Way, Viera, FL 32940.

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	$ 49,812,044.46	$ 1,757,863.86	$ 51,569,908.32	$ 2,522,618.00
Investments	416,364,080.83		416,364,080.83	1,087,780.00
Accounts Receivable	6,785,105.22		6,785,105.22	1,430,254.00
Interest Receivable	3,626,699.84		3,626,699.84	
Prepaid Items	53,474.39		53,474.39	1,164,791.00
Deposits				109,008.00
Due from Other Agencies	17,476,672.28	426,626.17	17,903,298.45	932,210.00
Inventories	5,311,405.85		5,311,405.85	2,630.00
Deferred Charges	7,065,915.79		7,065,915.79	423,435.00
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent				2,393,868.00
Capital Assets:				
Land	23,124,934.29		23,124,934.29	2,685,642.00
Construction in Progress	152,638,200.88		152,638,200.88	693,333.00
Improvements Other Than Buildings, Net	20,584,113.54	53,331.84	20,637,445.38	144,965.00
Buildings and Fixed Equipment, Net	431,529,154.47	25,476.42	431,554,630.89	7,021,089.00
Furniture, Fixtures, and Equipment, Net	21,457,032.22	748,554.36	22,205,586.58	157,242.00
Motor Vehicles, Net	17,447,455.47	12,492.69	17,459,948.16	4,030.00
Property Under Capital Lease, Net	1,788,276.71		1,788,276.71	375,384.00
Audio Visual Materials and Computer Software, Net	5,384,954.90	26,314.16	5,411,269.06	22,112.00
TOTAL ASSETS	1,180,449,521.14	3,050,659.50	1,183,500,180.64	21,170,391.00
LIABILITIES				
Salaries and Benefits Payable	$ 25,634,296.59	$ 87,382.20	$ 25,721,678.79	$ 402,009.00
Accounts Payable	11,621,068.53	42,677.76	11,663,746.29	309,643.00
Construction Contracts Payable	19,294,507.80		19,294,507.80	
Construction Contracts Payable - Retainage	5,083,110.71		5,083,110.71	
Due to Other Agencies	3,208.71		3,208.71	50,000.00
Deferred Revenue	583,405.79		583,405.79	
Notes Payable	40,200,000.00		40,200,000.00	
Matured Certificates of Participation Payable	7,990,000.00		7,990,000.00	
Matured Interest Payable	9,828,694.41		9,828,694.41	
Unamortized Certificates of Participation Premium	16,161,959.75		16,161,959.75	
Long-Term Liabilities:				
Portion Due Within One Year:				
Estimated Insurance Claims Payable	7,225,266.49		7,225,266.49	
Obligations Under Capital Lease	609,686.56		609,686.56	17,826.00
Notes Payable				67,191.00
Bonds Payable	1,550,000.00		1,550,000.00	
Certificates of Participation Payable	10,885,000.00		10,885,000.00	
Compensated Absences Payable	3,605,511.00	50,452.00	3,655,963.00	
Portion Due After One Year:				
Estimated Insurance Claims Payable	9,701,319.52		9,701,319.52	
Obligations Under Capital Lease	631,417.07		631,417.07	39,423.00
Notes Payable				9,929,817.00
Bonds Payable	16,940,000.00		16,940,000.00	
Certificates of Participation Payable	506,518,000.00		506,518,000.00	
Compensated Absences Payable	35,051,448.36	490,479.00	35,541,927.36	
TOTAL LIABILITIES	729,117,901.29	670,990.96	729,788,892.25	10,815,909.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	363,718,308.55	866,169.47	364,584,478.02	3,917,194.00
Restricted for:				
State Categorical Programs	11,929,422.66		11,929,422.66	21,468.00
Debt Service	3,631,164.89		3,631,164.89	
Capital Projects	11,730,301.07		11,730,301.07	138,836.00
Other Purposes	7,213,592.03		7,213,592.03	2,593,879.00
Unrestricted	53,108,830.65	1,513,499.07	54,622,329.72	3,683,105.00
TOTAL NET ASSETS	$ 451,331,619.85	$ 2,379,668.54	$ 453,711,288.39	$ 10,354,482.00

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

THIS PAGE INTENTIONALLY LEFT BLANK.

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

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 362,786,919.52	$ 414,999.49	$	$
Pupil Personnel Services	21,396,307.27			
Instructional Media Services	9,301,713.34			
Instruction and Curriculum Development Services	21,614,607.46			
Instructional Staff Training Services	5,710,646.96			
Instruction Related Technology	6,086,572.82			
Board of Education	768,376.52			
General Administration	3,253,433.11			
School Administration	38,715,883.65			
Facilities Acquisition and Construction	24,938,143.14			11,698,304.47
Fiscal Services	2,189,952.06			
Food Services	26,250,468.47	14,563,752.97	12,663,640.49	
Central Services	8,730,648.67			
Pupil Transportation Services	23,189,304.15	20,077.42	13,091,451.00	
Operation of Plant	56,574,688.97			
Maintenance of Plant	8,620,751.57			8,529,069.00
Administrative Technology Services	2,986,368.04			
Community Services	620,747.49			
Interest on Long-Term Debt	21,442,823.48			2,379,369.73
Unallocated Depreciation Expense	32,510,251.06			
Total Governmental Activities	677,688,607.75	14,998,829.88	25,755,091.49	22,606,743.20
Business-Type Activities:				
Extended Day Program	8,200,767.10	8,342,393.32		
Total Primary Government	$ 685,889,374.85	$ 23,341,223.20	$ 25,755,091.49	$ 22,606,743.20
Component Units				
Charter Schools	$ 14,779,125.00	$ 618,890.00	$ 488,666.00	$ 732,243.00
The Brevard Schools Foundation, Inc.	2,857,457.00			
Total Component Units	$ 17,636,582.00	$ 618,890.00	$ 488,666.00	$ 732,243.00

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

Total General Revenues and Special Item

Change in Net Assets

Net Assets - July 1, 2006
Adjustment to Beginning Net Assets
Net Assets - July 1, 2006, Restated

Net Assets - June 30, 2007

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
$ (362,371,920.03)	$	$ (362,371,920.03)	$
(21,396,307.27)		(21,396,307.27)	
(9,301,713.34)		(9,301,713.34)	
(21,614,607.46)		(21,614,607.46)	
(5,710,646.96)		(5,710,646.96)	
(6,086,572.82)		(6,086,572.82)	
(768,376.52)		(768,376.52)	
(3,253,433.11)		(3,253,433.11)	
(38,715,883.65)		(38,715,883.65)	
(13,239,838.67)		(13,239,838.67)	
(2,189,952.06)		(2,189,952.06)	
976,924.99		976,924.99	
(8,730,648.67)		(8,730,648.67)	
(10,077,775.73)		(10,077,775.73)	
(56,574,688.97)		(56,574,688.97)	
(91,682.57)		(91,682.57)	
(2,986,368.04)		(2,986,368.04)	
(620,747.49)		(620,747.49)	
(19,063,453.75)		(19,063,453.75)	
(32,510,251.06)		(32,510,251.06)	
(614,327,943.18)		(614,327,943.18)	
	141,626.22	141,626.22	
(614,327,943.18)	141,626.22	(614,186,316.96)	
			(12,939,326.00)
			(2,857,457.00)
			(15,796,783.00)
215,254,974.59		215,254,974.59	
76,002,438.58		76,002,438.58	
324,935,485.52		324,935,485.52	17,025,004.00
18,512,893.84	33,273.51	18,546,167.35	292,393.00
22,207,399.94		22,207,399.94	341,020.00
			427,707.00
656,913,192.47	33,273.51	656,946,465.98	18,086,124.00
42,585,249.29	174,899.73	42,760,149.02	2,289,341.00
413,219,077.33	2,204,768.81	415,423,846.14	8,065,141.00
(4,472,706.77)		(4,472,706.77)	
408,746,370.56	2,204,768.81	410,951,139.37	8,065,141.00
$ 451,331,619.85	$ 2,379,668.54	$ 453,711,288.39	$ 10,354,482.00

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

	General Fund	Debt Service - Other Fund	Capital Projects - Section 1011.14/1011.15 Notes Fund
ASSETS			
Cash and Cash Equivalents	$ 30,907,048.99	$ 1,114,062.90	$
Investments	31,354,462.74	19,597,462.27	27,303,481.78
Accounts Receivable	19,877.10		
Interest Receivable			
Prepaid Items	2,091.27		
Due from Other Funds	8,699,747.44		
Due from Other Agencies	577,264.33		
Inventories	3,360,740.34		
TOTAL ASSETS	$ 74,921,232.21	$ 20,711,525.17	$ 27,303,481.78
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 25,048,203.59	$	$
Accounts Payable	9,287,391.31		98,270.85
Construction Contracts Payable			1,369,747.97
Construction Contracts Payable - Retainage			388,025.77
Due to Other Funds			
Due to Other Agencies			
Matured Certificates of Participation Payable		7,990,000.00	
Matured Interest Payable		9,542,338.25	286,356.16
Notes Payable			40,200,000.00
Deferred Revenue	290,419.00		
Total Liabilities	34,626,013.90	17,532,338.25	42,342,400.75
Fund Balances:			
Reserved for State Categorical Programs	11,929,422.66		
Reserved for Encumbrances	3,686,551.71		
Reserved for Debt Service		3,179,186.92	
Unreserved, Reported in:			
General Fund	24,679,243.94		
Special Revenue Funds			
Capital Projects Funds			(15,038,918.97)
Total Fund Balances	40,295,218.31	3,179,186.92	(15,038,918.97)
TOTAL LIABILITIES AND FUND BALANCES	$ 74,921,232.21	$ 20,711,525.17	$ 27,303,481.78

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

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 6,146,579.76	$ 38,167,691.65
60,311,504.90	237,225,247.67	1,673,605.97	377,465,765.33
	6,653,593.86	6,886.06	6,680,357.02
	3,494,235.33		3,494,235.33
	50,000.00		52,091.27
			8,699,747.44
	3,296,267.77	13,108,558.28	16,982,090.38
		1,950,665.51	5,311,405.85
$ 60,311,504.90	$ 250,719,344.63	$ 22,886,295.58	$ 456,853,384.27
$	$	$ 577,374.52	$ 25,625,578.11
37,492.32	49,693.23	598,185.71	10,071,033.42
1,302,234.11	16,390,948.24	231,577.48	19,294,507.80
365,045.27	4,269,091.14	60,948.53	5,083,110.71
		8,205,434.54	8,205,434.54
		3,208.71	3,208.71
			7,990,000.00
			9,828,694.41
			40,200,000.00
		292,986.79	583,405.79
1,704,771.70	20,709,732.61	9,969,716.28	126,884,973.49
			11,929,422.66
8,091,837.86	130,156,097.47	2,199,571.44	144,134,058.48
		451,977.97	3,631,164.89
			24,679,243.94
		6,302,885.56	6,302,885.56
50,514,895.34	99,853,514.55	3,962,144.33	139,291,635.25
58,606,733.20	230,009,612.02	12,916,579.30	329,968,410.78
$ 60,311,504.90	$ 250,719,344.63	$ 22,886,295.58	$ 456,853,384.27

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

Total Fund Balances - Governmental Funds		$ 329,968,410.78
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.		673,954,122.48
Debt issuance costs are not expensed in the government-wide financial statements, but are reported as deferred charges and amortized over the life of the debt.		7,065,915.79
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		32,296,193.54
Unamortized premiums on certificates of participation are included as other financing sources in the governmental funds in the year of issuance, but are amortized over the life of the issue on the statement of activities. The unamortized portion is included in the governmental activities on the statement of net assets.		(16,161,959.75)
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:		
Bonds Payable	$ 18,490,000.00	
Obligations Under Capital Lease	1,241,103.63	
Certificates of Participation Payable	517,403,000.00	
Compensated Absences Payable	38,656,959.36	(575,791,062.99)
Total Net Assets - Governmental Activities		$ 451,331,619.85

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

THIS PAGE INTENTIONALLY LEFT BLANK.

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

	General Fund	Debt Service - Other Fund	Capital Projects - Section 1011.14/1011.15 Notes Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 1,653,960.96	$	$
Federal Through State			
State	295,219,678.54		
Local	223,670,285.33	49,037.29	1,991,693.81
Total Revenues	520,543,924.83	49,037.29	1,991,693.81
Expenditures			
Current - Education:			
Instruction	336,479,148.85		
Pupil Personnel Services	15,458,175.69		
Instructional Media Services	8,895,439.91		
Instruction and Curriculum Development Services	11,304,408.30		
Instructional Staff Training Services	1,542,544.11		
Instruction Related Technology	5,992,279.38		
Board of Education	768,376.52		
General Administration	2,504,679.16		
School Administration	36,473,861.59		
Facilities Acquisition and Construction	1,113,590.26		3,966,001.34
Fiscal Services	2,140,880.33		
Food Services	190,403.05		
Central Services	8,253,776.91		
Pupil Transportation Services	20,350,433.08		
Operation of Plant	56,214,711.62		
Maintenance of Plant	8,424,174.22		
Administrative Technology Services	2,927,225.60		
Community Services	433,487.54		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	579,241.94		20,690,335.63
Other Capital Outlay	5,154,691.07		1,415,305.06
Debt Service:			
Principal		7,990,000.00	
Interest and Fiscal Charges	771,538.52	18,305,102.47	1,393,254.28
Total Expenditures	525,973,067.65	26,295,102.47	27,464,896.31
Excess (Deficiency) of Revenues Over Expenditures	(5,429,142.82)	(26,246,065.18)	(25,473,202.50)
Other Financing Sources (Uses)			
Transfers In	1,132,893.06	25,851,160.73	6,860,000.00
Refunding Certificates of Participation Issued		37,740,000.00	
Premium on Refunding Certificates of Participation		2,257,780.55	
Payment to Escrow Agent for Refunded Certificates of Participation		(39,575,430.00)	
Certificates of Participation Issued			
Premium on Certificates of Participation		565,009.21	
Sale of Capital Assets			
Loss Recoveries	14,146.28		
Transfers Out			
Total Other Financing Sources (Uses)	1,147,039.34	26,838,520.49	6,860,000.00
Net Change in Fund Balances	(4,282,103.48)	592,455.31	(18,613,202.50)
Fund Balances, July 1, 2006	41,979,481.79	2,586,731.61	3,574,283.53
Adjustment to Fund Balance	2,597,840.00		
Fund Balances, July 1, 2006, Restated	44,577,321.79	2,586,731.61	3,574,283.53
Fund Balances, June 30, 2007	$ 40,295,218.31	$ 3,179,186.92	$ (15,038,918.97)

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

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 3,909,326.67	$ 5,563,287.63
		48,869,736.23	48,869,736.23
12,500.00	11,459,670.22	11,694,155.82	318,386,004.58
79,087,550.56	26,463,291.38	14,901,816.07	346,163,674.44
79,100,050.56	37,922,961.60	79,375,034.79	718,982,702.88
		18,606,997.77	355,086,146.62
		5,425,997.33	20,884,173.02
		89,548.56	8,984,988.47
		9,517,603.67	20,822,011.97
		4,041,348.17	5,583,892.28
		17,587.62	6,009,867.00
			768,376.52
		655,488.78	3,160,167.94
		24,012.67	36,497,874.26
10,520,281.32	3,317,411.70	4,066,856.87	22,984,141.49
			2,140,880.33
		25,859,967.37	26,050,370.42
		214,624.36	8,468,401.27
		154,301.25	20,504,734.33
		8,515.51	56,223,227.13
			8,424,174.22
			2,927,225.60
		113,243.38	546,730.92
13,753,328.18	113,960,535.68	5,433,502.50	154,416,943.93
4,968,508.73	3,775,452.31	4,752,268.37	20,066,225.54
588,704.37		1,480,000.00	10,058,704.37
54,771.63	1,698,309.82	920,836.38	23,143,813.10
29,885,594.23	122,751,709.51	81,382,700.56	813,753,070.73
49,214,456.33	(84,828,747.91)	(2,007,665.77)	(94,770,367.85)
			33,844,053.79
			37,740,000.00
			2,257,780.55
			(39,575,430.00)
	194,345,000.00		194,345,000.00
	6,190,144.64		6,755,153.85
	27,437.66		27,437.66
			14,146.28
(32,711,160.73)		(1,132,893.06)	(33,844,053.79)
(32,711,160.73)	200,562,582.30	(1,132,893.06)	201,564,088.34
16,503,295.60	115,733,834.39	(3,140,558.83)	106,793,720.49
42,103,437.60	114,275,777.63	16,046,866.54	220,566,578.70
		10,271.59	2,608,111.59
42,103,437.60	114,275,777.63	16,057,138.13	223,174,690.29
$ 58,606,733.20	$ 230,009,612.02	$ 12,916,579.30	$ 329,968,410.78

EXHIBIT - F
BREVARD COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Governmental Funds	$	106,793,720.49
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.		133,615,155.71
Premiums for new debt issues are reported as other financing sources in the governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.		(7,632,890.17)
Issuance costs for new debt issues are reported as expenditures in the governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.		3,462,259.61
Proceeds of refunding certificates of participation are reported as other financing sources in the governmental funds, while payments to escrow agent for the advance-refunding of outstanding certificates of participation are shown as other financing uses. Government-wide statements are affected only to the extent these amounts differ. In addition, other long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the net effect of these transactions.		(184,241,295.63)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.		(6,349,792.59)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.		(3,061,908.13)
Change in Net Assets - Governmental Activities	$	42,585,249.29

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

EXHIBIT - G
BREVARD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 1,872,568.00	$ 1,653,961.00	$ 1,653,960.96	$ (0.04)
Federal Through State	1,400,000.00			
State	301,217,126.00	295,209,599.00	295,219,678.54	10,079.54
Local	219,657,249.00	223,670,285.00	223,670,285.33	0.33
Total Revenues	524,146,943.00	520,533,845.00	520,543,924.83	10,079.83
Expenditures				
Current - Education:				
Instruction	292,523,571.00	348,654,596.97	336,479,148.85	12,175,448.12
Pupil Personnel Services	14,367,098.00	15,923,909.02	15,458,175.69	465,733.33
Instructional Media Services	8,850,250.00	9,307,984.51	8,895,439.91	412,544.60
Instruction and Curriculum Development Services	9,664,350.00	11,383,129.88	11,304,408.30	78,721.58
Instructional Staff Training Services	1,226,229.00	2,716,998.13	1,542,544.11	1,174,454.02
Instruction Related Technology	5,756,129.00	6,339,650.89	5,992,279.38	347,371.51
Board of Education	952,130.00	991,977.00	768,376.52	223,600.48
General Administration	2,094,644.00	2,532,383.96	2,504,679.16	27,704.80
School Administration	33,363,826.00	37,557,028.97	36,473,861.59	1,083,167.38
Facilities Acquisition and Construction	815,340.00	1,246,475.93	1,113,590.26	132,885.67
Fiscal Services	2,121,063.00	2,231,417.00	2,140,880.33	90,536.67
Food Services		190,403.00	190,403.05	(0.05)
Central Services	7,302,036.00	9,287,616.27	8,253,776.91	1,033,839.36
Pupil Transportation Services	19,053,654.00	20,350,433.54	20,350,433.08	0.46
Operation of Plant	47,878,422.00	58,529,210.14	56,214,711.62	2,314,498.52
Maintenance of Plant	6,889,886.00	8,696,914.78	8,424,174.22	272,740.56
Administrative Technology Services	2,804,700.00	2,986,298.00	2,927,225.60	59,072.40
Community Services	19,048.00	370,085.00	433,487.54	(63,402.54)
Fixed Capital Outlay:				
Facilities Acquisition and Construction		579,241.94	579,241.94	
Other Capital Outlay		5,154,691.07	5,154,691.07	
Debt Service:				
Interest and Fiscal Charges	550,000.00	886,755.00	771,538.52	115,216.48
Total Expenditures	456,232,376.00	545,917,201.00	525,973,067.65	19,944,133.35
Excess (Deficiency) of Revenues Over Expenditures	67,914,567.00	(25,383,356.00)	(5,429,142.82)	19,954,213.18
Other Financing Sources				
Transfers In		1,132,893.00	1,132,893.06	0.06
Loss Recoveries		14,146.00	14,146.28	0.28
Total Other Financing Sources		1,147,039.00	1,147,039.34	0.34
Net Change in Fund Balances	67,914,567.00	(24,236,317.00)	(4,282,103.48)	19,954,213.52
Fund Balances, July 1, 2006	41,979,482.00	41,979,482.00	41,979,481.79	(0.21)
Adjustment to Fund Balance			2,597,840.00	2,597,840.00
Fund Balances, July 1, 2006, Restated	41,979,482.00	41,979,482.00	44,577,321.79	2,597,839.79
Fund Balances, June 30, 2007	$ 109,894,049.00	$ 17,743,165.00	$ 40,295,218.31	$ 22,552,053.31

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

EXHIBIT - H
BREVARD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2007

	Business-Type Activities - Enterprise Fund - Extended Day Program	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,757,863.86	$ 11,644,352.81
Investments		38,898,315.50
Accounts Receivable		104,748.20
Interest Receivable		132,464.51
Due From Other Agencies	426,626.17	269.00
Prepaid Items		1,383.12
Total Current Assets	2,184,490.03	50,781,533.14
Noncurrent Assets:		
Improvements Other Than Buildings, Net	53,331.84	
Buildings and Fixed Equipment, Net	25,476.42	
Furniture, Fixtures, and Equipment, Net	748,554.36	
Motor Vehicles, Net	12,492.69	
Audio Visual Materials and Computer Software, Net	26,314.16	
Total Noncurrent Assets	866,169.47	
TOTAL ASSETS	3,050,659.50	50,781,533.14
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	87,382.20	8,718.48
Accounts Payable	42,677.76	1,550,035.11
Compensated Absences Payable	50,452.00	
Estimated Insurance Claims Payable		7,225,266.49
Total Current Liabilities	180,511.96	8,784,020.08
Noncurrent Liabilities:		
Compensated Absences Payable	490,479.00	
Estimated Insurance Claims Payable		9,701,319.52
Total Noncurrent Liabilities	490,479.00	9,701,319.52
TOTAL LIABILITIES	670,990.96	18,485,339.60
NET ASSETS		
Invested in Capital Assets	866,169.47	
Unrestricted	1,513,499.07	32,296,193.54
TOTAL NET ASSETS	$ 2,379,668.54	$ 32,296,193.54

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

EXHIBIT - I
BREVARD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund - Extended Day Program	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for Services	$ 8,342,393.32	$
Premium Revenues		52,203,534.39
Total Operating Revenues	8,342,393.32	52,203,534.39
OPERATING EXPENSES		
Salaries	5,075,629.23	610,837.93
Employee Benefits	1,640,368.19	226,326.35
Purchased Services	400,387.70	376,630.80
Energy Services	201.69	
Materials and Supplies	585,368.93	24,642.54
Capital Outlay	218,340.52	8,218.43
Claims Expense		56,080,418.16
Depreciation	241,529.63	
Other Expenses	38,941.21	
Total Operating Expenses	8,200,767.10	57,327,074.21
Operating Income (Loss)	141,626.22	(5,123,539.82)
NONOPERATING REVENUES		
Investment Earnings	33,273.51	2,061,631.69
Change in Net Assets	174,899.73	(3,061,908.13)
Total Net Assets, July 1, 2006	2,204,768.81	35,358,101.67
Total Net Assets, June 30, 2007	$ 2,379,668.54	$ 32,296,193.54

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

EXHIBIT - J
BREVARD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund - Extended Day Program	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	$ 8,775,594.56	$
Cash Received from Premiums		52,663,375.77
Cash Payments to Suppliers for Goods and Services	(1,246,863.35)	
Cash Payments for Insurance Claims		(55,990,437.15)
Cash Payments to Employees for Services	(6,656,292.75)	(836,763.23)
Other Receipts (Payments)	(426,626.17)	711,942.76
Net Cash Provided (Used) by Operating Activities	445,812.29	(3,451,881.85)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(117,273.88)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	33,273.51	2,060,479.83
Loss from Sales and Maturities of Investments		(131,312.65)
Purchase of Investments		(26,674,588.01)
Net Cash Provided (Used) by Investing Activities	33,273.51	(24,745,420.83)
Net Change in Cash and Cash Equivalents	361,811.92	(28,197,302.68)
Cash and Cash Equivalents, Beginning	1,396,051.94	39,841,655.49
Cash and Cash Equivalents, Ending	$ 1,757,863.86	$ 11,644,352.81

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	$ 141,626.22	$ (5,123,539.82)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	241,529.63	
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	433,201.24	461,493.50
Increase in Prepaid Items		(1,383.12)
Increase in Due From Other Agencies	(426,626.17)	(269.00)
Increase (Decrease) in Accounts Payable	(3,623.30)	1,121,434.53
Increase in Salaries and Benefits Payable	3,116.67	401.05
Increase in Compensated Absences Payable	56,588.00	
Increase in Estimated Insurance Claims Payable		89,981.01
Total Adjustments	304,186.07	1,671,657.97
Net Cash Provided (Used) by Operating Activities	$ 445,812.29	$ (3,451,881.85)

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

EXHIBIT - K
BREVARD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2007

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 6,252,494.55
LIABILITIES	
Due to Other Funds	$ 494,312.90
Internal Accounts Payable	5,758,181.65
TOTAL LIABILITIES	$ 6,252,494.55

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

EXHIBIT – L
BREVARD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) used in the United States as applied to governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The School Board of Brevard County, Florida (District) has elected, under GASB No. 20, to apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncement.

- **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Brevard County School District is considered part of the Florida system of public education. The governing body of the school district is the Brevard County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. The general operating authority of the Board and the Superintendent is contained in Chapters 1000 through 1013 and 238, Florida Statutes. Geographic boundaries of the District correspond with those of Brevard County.

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

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

- Blended Component Unit. The Brevard County School Board Leasing Corporation was formed to facilitate the partial refunding of the Series 1992A Certificates of Participation and the financing for the acquisition of facilities and equipment as further discussed in Note 8. Due to the substantive economic relationship between the Brevard County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

- Discretely Presented Component Unit. The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Brevard Schools Foundation, Inc. (Foundation) and the District's charter schools for the fiscal year ending June 30, 2007. None of the individual component units are considered to be material to the financial statements.

The 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 to or for the benefit of the District. An annual audit of the Foundation's financial statements is conducted by an independent certified public accountant and is filed in the District's administrative office.

The charter schools are separate not-for-profit corporations organized and operated as charter schools under Section 1002.33, Florida Statutes, to enhance the education of those Brevard County students attending these schools. Each charter school is considered to be a separate component unit operating under a charter approved by the Brevard School Board as sponsor. Annual audits of these charter schools' financial statements are conducted by independent certified public accountants and are filed in the District's administrative office. During the fiscal year ending June 30, 2007, there were twelve charter schools that were located within Brevard County and operating as a component unit of the Brevard School Board. These schools are as follows:

Brevard Innovative Charter Schools, Inc., d/b/a Sculptor Charter School, Inc.
Educational Horizons Charter School, Inc.
Einstein Montessori School - Cocoa, Inc.
Explorer Elementary and Middle School, Inc.
Oakwood Academy Charter School, Inc.
Odyssey Charter School, Inc.
Osprey Elementary School
Palm Bay Academy, Inc.
Primary Charter Schools, Inc., d/b/a Campus Charter School
River's Edge Charter Academy
Royal Palm Charter School, Inc.
Sawgrass Academy

Financial information for four charter schools is not included in the component unit information reported by the Brevard School Board for the fiscal year ending June 30, 2007. These schools are Explorer Elementary and Middle School, Inc.; Osprey Elementary School; Primary Charter School, Inc.; and Sawgrass Academy.

Brevard School Board made a decision in May 2007, to terminate the charter for Explorer Elementary and Middle School, Inc. The District's management and instructional staff continued to operate the school for the remainder of the school year. The Charter School contract required audited financial statements to be provided to Brevard School Board but that data is unavailable. No reliable financial data is obtainable for reporting for fiscal year ending June 30, 2007.

Sawgrass Academy and Osprey Elementary School are two separate legal entities managed by Academies of Excellence. The School Board made a decision not to renew the charter for each of these schools after June 30, 2007. Audited financial statements were not provided by either of these two schools.

Primary Charter Schools, Inc. has notified the District that audited financial statements will not be completed, as required, for timely reporting of the District's financial statements for the

period ending June 30, 2007. The financial statements of Primary Charter Schools, Inc., are not considered to be material to the District financial statements.

Einstein Montessori Charter School - Cocoa, Inc., made a decision after June 30, 2007 to convert from a charter school to a private school. Einstein Montessori Charter School - Cocoa, Inc., is reported as a component unit for fiscal year ending June 30, 2007.

Palm Bay Community Charter School operates under a charter granted by Brevard School Board as sponsor. The school is part of the City of Palm Bay and reports as a special revenue fund under the City; therefore, it is not considered a separate legal entity and is not reported as a component unit of Brevard School Board.

- **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, include the statement of net assets and the statement of activities, and present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

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 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. Depreciation expense associated with the District's transportation department is allocated to the transportation function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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

The District eliminates, from the statement of net assets and the statement of activities, most interfund receivables and payables and transfers between funds, as well as the transactions associated with its Internal Service Funds, to minimize the effect of duplication.

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. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary funds statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e.,

revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary funds' operating statements present increases (revenues) and decreases (expenses) in net total assets.

Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are 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.

- Debt Service – Other Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the District's Certificates of Participation.

- Capital Projects – Section 1011.14/1011.15 Notes Fund – to account for the financial resources generated by the District's Revenue Anticipation Notes, the proceeds of which are used for roofing repairs and heating and air conditioning improvements at District schools.

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, debt service payments for Certificates of Participation, equipment purchases, costs of leasing relocatable educational facilities, maintenance of existing District schools, and renovation and remodeling projects.

- Capital Projects – Other Fund – to account for the financial resources generated by miscellaneous capital outlay funding sources, including Certificates of Participation, School Infrastructure Thrift Funds, Fuel Tax receipts, Classrooms for Kids, and property sale receipts.

The District reports the following major enterprise fund:

- Enterprise Fund – Extended Day Program – to account for the business-type activities in which the District sells services to the general public. The services provided are that of extended day care which are available at most of the District's elementary schools. This fund is self-supporting through customer charges.

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

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

- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletics and class and club activities.

- **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Significant revenues susceptible to accrual include property taxes and interest earnings. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the District's enterprise fund are charges for extended day care. Operating expenses include costs associated with providing day care services, including salaries, employee benefits, and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

The Foundation, 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.

- **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law and 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, with the exception of $301,890 held in the Community Educators Credit Union. These funds are insured by the national Credit Union Association with an insured limit of $100,000. The District considers cash and cash equivalents as amounts included in demand deposit accounts, amounts invested in money market accounts, amounts invested with the State Board of Administration and amounts invested in certificates of deposit. The only exception to this definition is $451,977 of State Board of Administration investments held by the State Board of Education for debt service payments on the District's behalf. For the discretely presented component units, cash equivalents include all highly liquid investments with an initial maturity of three months or less.

District moneys placed with the State Board of Administration for participation in the State investment pool, a Security and Exchange Commission (SEC) Rule 2a-7 like external investment pool, represent an interest in the pool rather than ownership of specific securities. The State Board of Administration administers the State investment pool under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. In addition, the fair value of the District's position in the State Board of Administration pool is the same as the value of the pool shares.

Interest earned on investments is recorded within the fund in which it is earned. In the event any investment is allocated among various funds, the interest earned is allocated on a pro rata share based upon the investment held in each of the corresponding funds.

An SEC Rule 2a-7 like pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Since the District does not own specific investments but an interest in the pool, the market value of investments is not reported to the District by the State Board of Administration. Accordingly, such investments are stated at amortized cost, which approximates fair market value.

Investments made locally include obligations of U.S. Government Agencies and Instrumentalities, money market mutual funds, guaranteed investment contracts, and certificates of deposit, which are carried at fair value based on quoted market prices. Types and amounts of investments held at year-end are described in a subsequent note.

- **Inventories**

Inventories consist of expendable supplies and commodities held for consumption in the course of District operations. The purchased food inventories, central warehouse and transportation inventories are stated at cost based on the weighted-average basis. The United States Department of Agriculture non-processed surplus commodities in the District's warehouse are stated at fair value 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, while processed commodities are valued at fair market value plus processing costs. The costs of inventories are recorded as expenditures when used rather than when purchased.

- **Capital Assets**

Expenditures for capital assets acquired or constructed are reported in the fund that financed the cost of the asset. These assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or historical cost) and updated for additions and retirements during the year. Donated assets are recorded at fair value at the date of donation. The District follows a procedure of capitalizing assets with a cost of more than $1,000 and a useful life in excess of one year in conformity with State statute. The District does not possess any infrastructure.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the estimated useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land	Not Depreciated
Construction in Progress	Not Depreciated
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 years
Property under Capital Lease	4 - 7 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 straight-line method.

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

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 District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payments method. The liability is based on a

ratio of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated by the current employee population at June 30, 2007. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and State laws. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are due and payable. The liability at year-end includes salary-related payments such as Social Security and Medicare.

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

- **State Revenue Sources**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Class Size Reduction Construction Program. The District is 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 Brevard County Property Appraiser, and property taxes are collected by the Brevard County Tax Collector.

The School Board adopted the 2006 tax levy on September 7, 2006. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the 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 Brevard County Tax Collector at fiscal year-end but not yet remitted to the District.

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

- **Federal Revenue Sources**

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

- **Use of Estimates**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.

- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

- During the fiscal year ended June 30, 2007, 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, none of which were deemed to be significant by management.

The reported budgetary data represents the final appropriated budget after amendments adopted by the School Board.

3. CASH AND INVESTMENTS

As of June 30, 2007, the District has the following cash, cash equivalents, investments and maturities:

Investment	Fair Value	Investment Maturities Less Than 6 Months	1 Year	2 Years	3 Years	4 Years
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	$ 158,816,411	$ 158,816,411	$	$	$	$
State Board of Administration Local Government Debt Service Accounts	451,978	451,978				
Obligations of United States Government Agencies and Instrumentalities	9,890,166		761,257	5,671,293	3,147,421	310,195
Money Market Fund - First American Treasury	19,597,462	19,597,462				
Money Market Fund - STI Classic Funds	2,926,682	2,926,682				
Mutual Fund - CORE Fund	26,081,467				26,081,467	
Guaranteed Investment Contract (GIC)	241,715,743	241,715,743				
Total Investments, Reporting Entity	$ 459,479,909	$ 423,508,276	$ 761,257	$ 5,671,293	$ 29,228,888	$ 310,195

Total Investments, Reporting Entity	Statement of Net Assets
Fair Value of Investments:	$ 459,479,909
Deposits	8,454,080
Total	$ 467,933,989
Cash and Cash Equivalents - Statement of Net Assets	$ 51,569,908
Investments - Statement of Net Assets	416,364,081
Total	$ 467,933,989

Interest Rate Risk

The District's investment policy limits the maturity of investments to five years or less as a means of limiting its exposure to fair value losses arising from rising interest rates. The average overall maturity should be less than two years. Also, at least three months of average disbursements should be invested in highly liquid funds with a maturity range of up to 90 days.

- The District has $9,890,166 in obligations of United States Government Sponsored Agencies/Federal Instrumentalities. These securities have embedded options to call the entire

security or a portion thereof, at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security intact, at stated interest rates, until final maturity. These securities have various call dates with final maturity between May 15, 2008, and May 15, 2011.

- The District has $19,597,462 in First American Money Market Funds. These securities have an average maturity of five days.
- The District has $2,926,682 in STI Classic Money Market Funds. These securities have an average maturity of one day.
- The District has $26,081,467 in CORE Mutual Funds. These securities have an average dollar weighed maturity of three years.

Credit Risk

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

- Florida Local Government Surplus Funds Trust Fund (SBA);
- Direct Obligations of U.S. Treasury;
- U.S. Federal Government Agency Securities;
- U.S. Government Sponsored Agencies/Federal Instrumentalities;
- Repurchase Agreements fully collateralized at 102 percent of market value, by U.S. Treasuries, U.S. Government Agencies, U.S. Government Sponsored Agencies/Federal Instrumentalities;
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency;
- Corporate Securities with at least an "AA" rating; Commercial Paper rated A1, P1;
- Certificates of Deposit, collateralized at 102 percent of market value, by U.S. Treasuries, U.S. Government Agencies, U.S. Government Sponsored Agencies/ Federal Instrumentalities; and
- Passbook savings accounts and interest bearing time deposits with banks organized under the laws of the State of Florida or in banks doing business in the State of Florida and with banks not listed with any recognized credit watch information services.
- The District has $19,597,462 in First American Money Market Funds. In addition, the District has $2,926,682 in STI Classic Money Market Funds. These securities have a Standard and Poor's rating of AAAm and a Moody's Investors Service rating of Aaa.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes requires every security purchased on behalf of the District to be earmarked and:

- If registered with the issuer or its agents, the security must be immediately placed for safekeeping in a location that protects the District's interest in the security;
- If in book entry form, the security 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 Florida, 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 Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution, or;
- If physically issued to the holder, but not registered with the issuer or its agents, the security must be immediately placed in safekeeping in a secured vault.

➢ The District owns $9,890,166 in obligations of the United States Government Sponsored Agencies and/or Federal Instrumentalities and $2,926,682 in STI Classic Money Market Funds that are held with a safekeeping agent in the name of the District.

➢ The District has $19,597,462 in First American Money Market Funds. These securities are held by the fiscal agent for payment of principal and interest due to certificate holders on July 1, 2007.

Concentration of Credit Risk

➢ Composition of investment portfolio is limited by District policy to:

- Florida Local Government Surplus Trust Funds (SBA) are limited to 100 percent of the total portfolio;
- Direct Obligation of U.S. Treasury and U.S. Federal Agency Securities are limited to 100 percent of the total portfolio;
- U.S. Government Sponsored Agencies/Federal Instrumentalities are limited to 50 percent of the total portfolio and 25 percent of any individual issuer; and
- Any other investment, not listed above, authorized by the District Policy is limited to 50 percent of the portfolio and 25 percent for any one issuer.

➢ As of June 30, 2007, the District Investments in the Florida Local Government Surplus Trust Funds (SBA Investment Pool) were $158,816,411 fair market value. The SBA Investment Pool is an SEC Rule 2a-7 like fund and has a portfolio weighted average maturity at June 30, 2007, of 26 days. This fund is unrated.

➢ The District also has $241,715,743 held under a trust indenture in connection with Certificates of Participation, Series 1996A, 2002A, 2004A, 2004B, 2006A, 2007A, 2007B, and 2007C. These funds are invested in Government Investment Contracts (GIC) until such time the funds will be needed to pay for construction costs. GICs provide the District with liquidity as needed and are collateralized by government agency and treasury securities held by a third party collateral agent at 104 percent of the GIC values.

All investments are in compliance with District policy in relation to interest rate risk, credit risk, custodial credit risk, and concentration of credit risk.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 19,664,758.50	$ 3,460,175.79	$	$ 23,124,934.29
Construction in Progress	80,987,613.62	143,759,439.00	72,108,851.74	152,638,200.88
Total Capital Assets Not Being Depreciated	100,652,372.12	147,219,614.79	72,108,851.74	175,763,135.17
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	39,389,035.39	5,321,596.31		44,710,631.70
Buildings and Fixed Equipment	830,930,246.91	72,108,851.74		903,039,098.65
Furniture, Fixtures, and Equipment	78,339,660.79	9,655,589.00	4,863,204.10	83,132,045.69
Motor Vehicles	34,731,056.04	4,798,034.00	1,223,500.00	38,305,590.04
Audio Visual Materials and Computer Software	14,019,181.41	1,468,361.00	55,511.67	15,432,030.74
Property Under Capital Lease	2,942,836.00			2,942,836.00
Total Capital Assets Being Depreciated	1,000,352,016.54	93,352,432.05	6,142,215.77	1,087,562,232.82
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	21,538,302.72	2,588,215.44		24,126,518.16
Buildings and Fixed Equipment	453,449,162.21	18,060,781.97		471,509,944.18
Furniture, Fixtures, and Equipment	57,912,779.50	8,625,438.07	4,863,204.10	61,675,013.47
Motor Vehicles	19,196,864.22	2,884,770.35	1,223,500.00	20,858,134.57
Audio Visual Materials and Computer Software	8,024,896.45	2,077,691.06	55,511.67	10,047,075.84
Property Under Capital Lease	543,416.79	611,142.50		1,154,559.29
Total Accumulated Depreciation	560,665,421.89	34,848,039.39	6,142,215.77	589,371,245.51
Total Capital Assets Being Depreciated, Net	439,686,594.65	58,504,392.66		498,190,987.31
Governmental Activities Capital Assets, Net	$ 540,338,966.77	$ 205,724,007.45	$ 72,108,851.74	$ 673,954,122.48

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	$ 43,184.26	$ 15,000.00	$	$ 58,184.26
Buildings and Fixed Equipment	10,395.53	21,450.00		31,845.53
Furniture, Fixtures, and Equipment	1,050,942.15	64,943.16		1,115,885.31
Motor Vehicles		13,880.77		13,880.77
Audio Visual Materials and Computer Software	31,582.18	1,999.95		33,582.13
Total Capital Assets Being Depreciated	1,136,104.12	117,273.88		1,253,378.00
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	973.00	3,879.42		4,852.42
Buildings and Fixed Equipment		6,369.11		6,369.11
Furniture, Fixtures, and Equipment	144,154.00	223,176.95		367,330.95
Motor Vehicles		1,388.08		1,388.08
Audio Visual Materials and Computer Software	552.00	6,715.97		7,267.97
Total Accumulated Depreciation	145,679.00	241,529.53		387,208.53
Total Capital Assets Being Depreciated, Net	$ 990,425.12	$ 124,255.65	$ 0.00	$ 866,169.47

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 2,337,788.33
Unallocated	32,510,251.06
Total Depreciation Expense - Governmental Activities	$34,848,039.39

5. CHANGES IN SHORT-TERM DEBT

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

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Notes	$	$ 25,000,000	25,000,000	$
Revenue Anticipation Notes	28,000,000	40,200,000	28,000,000	40,200,000
Total Governmental Activities	$ 28,000,000	$ 65,200,000	$ 53,000,000	$ 40,200,000

The District issued a tax anticipation note in the amount of $25,000,000 on September 27, 2006. The note proceeds were utilized by the District to provide interim funds for the payment of operating expenditures for the 2006-07 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The note was issued at a 4 percent coupon rate with a net interest cost of 3.485 percent.

On April 17, 2007, the District issued revenue anticipation notes in the amount of $40,200,000 to finance the cost of roofing repairs and heating and air conditioning improvements to certain school facilities in conjunction with its seven-year facility improvement plan. The notes were issued at a 4 percent coupon rate with a net interest cost of 3.656 percent, and will mature on April 25, 2008. These notes are payable from and secured by a prior lien upon and pledge of the proceeds of the discretionary capital outlay ad valorem tax levy.

6. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan, adopted on January 28, 1986, created in accordance with Internal Revenue Code, Section 457, and Section 112.215, Florida Statutes. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, death, or unforeseeable emergency.

In August 1996, Internal Revenue Code, Section 457, was amended to: (1) provide that assets in such plans are held for the exclusive benefit of the plan participants, and (2) eliminate provisions that the plan assets were the property of the District (employer). Under the amended provisions of the Internal Revenue Code, Section 457, the assets of the District's deferred compensation plan are not held in a fiduciary capacity by the District and, accordingly, are not reported in the District's financial statements.

7. CAPITAL LEASE

The class and amount of property being acquired under capital lease are as follows:

	Asset Balance
Relocatable Classrooms	$ 2,942,836.00

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

Fiscal Year Ending June 30	Amount
2008	$ 643,476.00
2009	643,475.91
Total Minimum Lease Payments	1,286,951.91
Less Interest	(45,848.28)
Present Value of Minimum Lease Payments	$ 1,241,103.63

The stated interest rate is 3.06 percent.

8. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2007, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 1996A	$ 30,980,000	4.8 - 5.5	2012	$ 56,590,000
Series 2002	9,245,000	3.125 - 4.000	2015	50,945,000
Series 2004A	46,805,000	2.5 - 5.0	2030	46,805,000
Series 2004B	67,115,000	2.0 - 5.0	2021	67,640,000
Series 2004-QZAB	4,408,000	(1)	2020	4,408,000
Series 2006A	126,765,000	3.25 - 5.00	2030	128,440,000
Series 2007A	37,740,000	4.0 - 5.0	2026	37,740,000
Series 2007B	71,350,000	4.125 - 5.000	2032	71,350,000
Series 2007C	122,995,000	3.5 - 5.0	2032	122,995,000
Total Certificates of Participation	$ 517,403,000			$ 586,913,000

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

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

For the fiscal year ended June 30, 2007, the District entered into two financing arrangements on March 16, 2007, in the amount of $109,090,000 for the Certificates of Participation, Series, 2007A and 2007B and one financing arrangement on April 13, 2007, in the amount of $122,995,000 for the Certificates of Participation,

Series, 2007C. Each of these arrangements was characterized as a lease-purchase agreement, with the School Board Leasing Corporation. The 2007A Refunding Certificates, dated March 16, 2007, were issued to take advantage of a lower interest rate market to refund previously issued certificates of the 2002 Series, thereby reducing the total debt service payments by $2,437,954, resulting in an economic gain for the District of $1,771,129. The 2007B, certificates dated March 16, 2007, and the 2007C certificates, dated April 13, 2007, were issued to finance the costs of the renovation of seven high schools, two junior/senior high schools, two middle schools, four elementary schools, an alternative educational facility, and to purchase a stadium, originally constructed in 2004 on a 29.99 acre site that will become part of the Cocoa High School campus.

As a condition of the financing arrangement, the District has given ground leases on District property to the Brevard County School Board Leasing Corporation, with rental fees of $1 per year, except for the Series, 2004-Qualified Zone Academy Bonds (QZAB), which are secured by fire alarm systems, intercom systems, structure cabling, and telephone equipment at 15 schools. The initial terms of the leases end on the earlier of the maturity date or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms as specified in the arrangements. The properties covered by the ground leases are, together with improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangement.

The District properties included in the ground lease under this arrangement include**:**

<u>Series 1996A Certificates of Participation</u>

Educational Services Facility
Jupiter Elementary School
Hans Christian Anderson Elementary School Additions
Dr. W.J. Creel Elementary School Additions
Enterprise Elementary School
Space Coast Middle School
Imperial Estates Elementary School Additions
Melbourne High School Additions
Titusville High School Additions
Meadowlane Elementary School (Replacement School)
Eau Gallie High School Auditorium
Merritt Island High School Auditorium
Satellite High School Auditorium

Series 2002 Certificates of Participation (Partially refunded by Certificates of Participation, Series 2007)

Elementary School "Q"
Manatee Elementary School
Jupiter Elementary School Addition
Mila Elementary School Addition
Columbia Elementary School Addition
Endeavour Elementary School Addition
McAuliffe Elementary School Addition
Tropical Elementary School Addition
Discovery Elementary School Addition
University Park Elementary School Addition
Lewis Carroll Elementary School Addition
Gemini Elementary School Addition
Port Malabar Elementary School Addition
Palm Bay Elementary School Addition
Mims Elementary School Addition
Cambridge Elementary School Addition
Indialantic Elementary School Addition
Riverview Elementary School Addition
Turner Elementary School Addition
Gardendale Elementary School Addition
Edgewood Jr. High School
Westshore Jr./Sr. High School Addition
Cocoa Beach Jr./Sr. High School Addition
Palm Bay High School Addition

Series 2004A Certificates of Participation

Viera High School
Rockledge High School Addition

Series 2004B Certificates of Participation

Bayside High School
Westside Elementary School
Longleaf Elementary School
Pinewood Elementary School Additions
Titusville High School Additions
Melbourne High School Additions

Series 2006A Certificates of Participation
- Titusville High School
- Palm Bay High School
- Cocoa Beach Jr./Sr. High School
- Astronaut High School
- New Elementary School "S"
- McNair Middle School Addition
- Mims Elementary School Addition
- Coquina Elementary School Addition
- Johnson Middle School Addition
- Imperial States Elementary School Addition
- Stevenson Elementary School Addition
- Viera High School Addition

Series 2007B Certificates of Participation
- Astronaut High School
- Cocoa Beach Jr./Sr. High School
- Coquina Elementary School Addition
- Imperial Estates Elementary School Addition
- Johnson Middle School Addition
- McNair Middle School Addition
- Mims Elementary School Addition
- Palm Bay High School
- Stevenson Elementary School Addition
- Titusville High School

Series 2007C Certificates of Participation
- Bayside High School
- Melbourne High School
- Merritt Island High School
- Satellite High School
- Westshore Jr./Sr. High School
- Cocoa Stadium
- Central Area Adult/Alternative Education Center

With the exception of the Series 2004-QZAB issue, lease payments are payable by the District, semiannually, on July 1 and January 1. The Series 2004-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of March 26, 2004, will mature on March 26, 2020, for the original $4,408,000 issue amount. There is no interest cost for borrowing funds under this program. Mandatory lease payment account deposits of $557,309 for five consecutive years beginning on June 15, 2005, were established. It is anticipated that these deposits, along with investment earnings, will be sufficient to redeem the certificates at maturity. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2008	$ 35,017,250	$ 10,885,000	$ 24,132,250
2009	35,014,251	11,360,000	23,654,251
2010	35,573,414	12,445,000	23,128,414
2011	35,571,694	12,995,000	22,576,694
2012	35,575,011	13,580,000	21,995,011
2013-2017	177,870,739	77,520,000	100,350,739
2018-2022	182,596,001	101,308,000	81,288,001
2023-2027	177,874,638	122,270,000	55,604,638
2028-2032	177,864,675	155,040,000	22,824,675
Total Minimum Lease Payments	$ 892,957,673	$ 517,403,000	$ 375,554,673

9. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Original Amount
State School Bonds:				
Series 1998A	$ 145,000	4.5	2008	$ 440,000
Series 1999A	960,000	4.00 - 4.75	2019	1,400,000
Series 2000A	60,000	5.000 - 5.125	2010	100,000
Series 2002A	340,000	3.0 - 5.0	2022	400,000
Series 2002B	11,115,000	3.375 - 5.375	2015	13,495,000
Series 2003A	1,545,000	3.0 - 5.0	2023	1,845,000
Series 2004A	480,000	3.0 - 5.0	2024	550,000
Series 2005A	915,000	4.0 - 5.0	2025	985,000
Series 2005B	2,295,000	5.0	2020	2,305,000
Series 2006A	635,000	4.0 - 5.0	2026	650,000
Total Bonds Payable	$ 18,490,000			$ 22,170,000

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

The District receives annual financial data from the Florida Department of Education's Facilities Department that reflects information for the District's financial statements regarding bond issuance

along with related interest and issuance cost for state school bonds. The District did not receive the required data to record the entries prior to the completion of the 2005-06 Comprehensive Annual Financial Report; therefore, estimates were used for fiscal year ending June 30, 2006. Actual financial data is now available and the correction has been made to the financial statements ending June 30, 2007, by reporting the adjustment to prior period equity to restate the correct amount that would have been recorded if the error had not occurred. The correction to the prior period fund balance $10,271.

Annual requirements to amortize all bonded debt outstanding as June 30, 2007, are a follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2008	$ 2,411,083	$ 1,550,000	$ 861,083
2009	2,415,920	1,610,000	805,920
2010	2,411,457	1,665,000	746,457
2011	2,416,264	1,755,000	661,264
2012	2,416,287	1,845,000	571,287
2013-2017	8,883,695	7,365,000	1,518,695
2018-2022	2,411,445	2,040,000	371,445
2023-2026	716,069	660,000	56,069
Total Bonds Payable	$ 24,082,220	$ 18,490,000	$ 5,592,220

10. DEFEASED DEBT

On March 16, 2007, the District issued Certificates of Participation, Series 2007A, to advance-refund portions of the outstanding principal of the Certificates of Participation, Series 2002. The net proceeds totaling $39,575,430 (after deduction of $422,350.55 in debt issuance costs) were placed in an irrevocable trust to provide for future debt service payments for the refunded certificates of Series 2002. Accordingly, the trust account assets and the liabilities for the defeased certificates of Series 2002, are not included in the District's financial statements. On June 30, 2007, the outstanding principal for the Series 2002 certificates for the amount of $37,740,000 are considered in-substance defeased and the liability for these certificates has been removed from the government-wide statements.

In prior years, portions of the State Board of Education Capital Outlay Bonds, Series 1998A and 2000A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of the State Board of Education bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the in-substance defeased bonds are not included in the District's financial statements. As of June 30, 2007,

State Board of Education Capital Outlay Bonds, Series 1998A, amounting to $2,005,000 and Series 2000A, amounting to $305,000 are considered defeased in substance.

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	$ 1,829,808.00	$	$ 588,704.37	$ 1,241,103.63	$ 609,686.56
Bonds Payable	19,970,000.00		1,480,000.00	18,490,000.00	1,550,000.00
Certificates of Participation Payable	331,093,000.00	232,085,000.00	45,775,000.00	517,403,000.00	10,885,000.00
Estimated Claims Payable	16,836,605.01	56,080,418.00	55,990,437.00	16,926,586.01	7,225,266.49
Compensated Absences Payable (1)	32,307,166.77	8,830,807.59	2,481,015.00	38,656,959.36	3,605,511.00
Total Governmental Activities	$ 402,036,579.78	$ 296,996,225.59	$ 106,315,156.37	$ 592,717,649.00	$ 23,875,464.05
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable	$ 484,343.00	$ 91,305.00	$ 34,717.00	$ 540,931.00	$ 50,452.00

Note (1): A prior period adjustment of $4,472,706.77 is included in the July, 1, 2006, Compensated Absences Payable balance. This is a correction for vacation leave liability for the 2004-05 fiscal year that was carried forward into the 2005-06 fiscal year.

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

12. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

13. 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:		
General	$8,699,747.44	$
Nonmajor Governmental		8,205,434.54
Fiduciary: Internal School Funds		494,312.90
Total	$8,699,747.44	$8,699,747.44

The interfund receivables/payables at June 30, 2007, are primarily due to the reclassification of cash balances in the District's Master Account in order to cover cash deficits in other governmental funds, and for local property taxes collected by the General Fund on behalf of the Local Capital Improvement Fund. The $494,312.90 in the Fiduciary Funds is due to loans to schools for specific purchases.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 1,132,893.06	$
Debt Service:		
Other	25,851,160.73	
Capital Projects:		
Local Capital Improvement		32,711,160.73
Section 1011.14/1011.15 Notes	6,860,000.00	
Nonmajor Other Governmental		1,132,893.06
Total	$33,844,053.79	$33,844,053.79

The District transferred $32,711,160.73 from the Capital Projects – Local Capital Improvement Fund to the Debt Service – Other Fund and to the Capital Projects – Section 1011.14/1011.15 Notes Fund, to finance debt service payments required for the 2006-07 fiscal year. In addition, the District transferred $1,132,893.06 from the Nonmajor Other Governmental funds to the General Fund to properly reflect activity during the fiscal year.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2006-07 fiscal year:

Source	Amount
Florida Education Finance Program	$194,872,578.00
Categorical Educational Programs:	
Class Size Reduction	58,109,578.00
Transportation	13,091,451.00
Instructional Materials	6,729,084.00
School Recognition Program	5,238,711.00
Excellent Teacher Program	4,008,974.51
Volunteer Prekindergarten Program	2,150,225.85
Florida Lead Teacher Program	1,259,230.00
Other	582,771.00
Class Size Reduction Construction	11,314,373.00
Gross Receipts Tax (Public Education Capital Outlay)	8,529,069.00
Workforce Development Program	3,099,854.00
Discretionary Lottery Funds	2,928,432.00
Capital Outlay and Debt Service Withheld for SBE Bonds	2,363,006.00
Charter School Capital Outlay	1,683,303.00
Adults with Disabilities	600,685.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	243,315.00
Food Service Supplement	350,887.42
Miscellaneous	1,230,476.80
Total	$318,386,004.58

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

15. PROPERTY TAXES

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.956	$ 195,152,965
Basic Discretionary Local Effort	0.510	20,081,878
Supplemental Discretionary Local Effort	0.201	7,914,606
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	2.000	78,751,862
Total	7.667	$ 301,901,311

16. STATE RETIREMENT PROGRAM

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

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

A Deferred Retirement Option Program (DROP) 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.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 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, Special Risk	0.00	20.92
Local Agency Senior Manager in Local Annuity Plan	0.00	13.12
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.10 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class or plan 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, including employee contributions, for the fiscal years ending June 30, 2005, June 30, 2006, and June 30, 2007, totaled $22,186,992, $25,108,255, and $31,205,556, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 1,293 District participants in PEORP during the 2006-07

fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2007, totaled $3,876,074.

Pension Reporting. 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, may be obtained from the Florida Department of Management Services, Division of Retirement.

17. OTHER POSTEMPLOYMENT BENEFITS

The Government Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for governmental employers. GASB 45 is effective for the Brevard County School Board's financial statements beginning with the fiscal year ending June 30, 2008. The District is currently in the process of an actuarial valuation to determine the impact of GASB 45 that will be reported in the District's financial statements for the fiscal year ending June 30, 2008.

18. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Balance Committed
Astronaut High School Addition-Renovation	$ 10,497,276
Bayside High School Addition-Renovation	16,470,481
Cocoa Beach Jr./Sr. High School Addition-Renovation	16,730,070
Coquina Elementary School Addition	40,681
Meadowlane Elementary School "T"	5,171,790
Imperial Estates Elementary School Addition	2,883,021
Johnson Middle School Addition	4,197,167
McNair Middle School Addition	278,095
Melbourne High School Addition-Renovation	19,411,494
Merritt Island High School Addition-Renovation	27,072,915
Mims Elementary School Addition	889,963
Palm Bay High School Addition - Renovation	13,080,958
Rockledge High School Addition	91,119
Satellite High School Addition-Renovation	26,313,146
Space Coast Jr./Sr. School High Addition-Renovation	57,907
Stevenson Elementary School Addition	454,627
Titusville High School Addition-Renovation	16,918,691
Westshore Jr./Sr. High School Addition-Renovation	7,162,677
Total	$ 167,722,078

19. RISK MANAGEMENT PROGRAMS

Self-Insured 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 self-insures its workers' compensation claims up to $500,000 per claim. All workers' compensation claims that exceed the self-insured level will be paid by an excess workers' compensation policy purchased from a commercial insurance company. General liability and automobile liability claims are self-insured using the doctrine of Sovereign Immunity per Section 768.28, Florida Statutes, which provides a cap of losses at $100,000 per incident and up to $200,000 per incident with multiple claims. Because the doctrine of Sovereign Immunity includes a limited possibility that the District could be subject to claims in excess of the $100,000/$200,000 cap, the District has also purchased an excess general liability and auto liability policy. The policy carries a $500,000 per claim deductible and will pay up to $1,000,000 towards any one liability loss subject to a $3,000,000 annual aggregate. The District has contracted with a third-party administrator to handle these self-insurance programs, including claims processing, investigation, and payment, as well as overseeing attorney involvement in any litigated matters.

The District utilizes multiple self-insurance plans to provide employee health benefits and provides employee prescription drug benefits under a self-insurance program, all of which are administered by third-party administrators. Under these programs, claims are presented to the service agents for processing and payment. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

A liability for workers' compensation, general liability, automobile liability, and medical claims in the amount of $16,926,586 was determined based on claims adjusters' evaluation of individual claims and management's evaluation, as well as an actuarial review with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-05	$ 19,540,580	$ 44,909,716	$ 47,267,564	$ 17,182,732
2005-06	17,182,732	55,874,115	56,220,242	16,836,605
2006-07	16,836,605	56,080,418	55,990,437	16,926,586

Commercially Purchased Insurance

Property loss coverage is being provided through purchased commercial insurance, which had total coverage of $50,000,000 per occurrence during the 2006-07 fiscal year. Under the plan for property insurance, the District's liability is $100,000 per occurrence, except for losses related to named wind storms (hurricanes). The named windstorm deductible is 5% of the values exposed at each school or ancillary facility location subject to a Districtwide minimum loss limit of $500,000 per storm.

Potential loss coverage resulting from allegations of discrimination brought by employees, students, or other community members is being provided through purchased commercial insurance, which had a total coverage of up to $2,000,000 per claim subject to a $2,000,000 annual aggregate during the 2006-07 fiscal year. Under this plan, the District's deductible is $250,000 per occurrence.

Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the past three fiscal years. During the fiscal year ended June 30, 2007, the District did not experience any significant reductions in insurance coverage.

20. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2006-07 fiscal year:

EXHIBIT - L (Continued)
BREVARD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

	Total	Medical Insurance	Workers' Compensation	General/ Auto Liability
Total Assets	$ 50,781,533.14	$ 31,966,810.83	$ 16,676,368.99	$ 2,138,353.32
Liabilities and Net Assets:				
Accounts Payable	$ 1,550,035.11	$ 1,473,352.79	$	$ 76,682.32
Salaries and Benefits Payable	8,718.48	8,718.48		
Estimated Insurance Claims Payable	16,926,586.01	3,698,202.01	12,236,485.00	991,899.00
Net Assets:				
Unrestricted Net Assets	32,296,193.54	26,786,537.55	4,439,883.99	1,069,772.00
Total Liabilities and Net Assets	$ 50,781,533.14	$ 31,966,810.83	$ 16,676,368.99	$ 2,138,353.32
Revenues:				
Premium Contributions	$ 52,203,534.39	$ 49,344,141.73	$ 2,016,283.22	$ 843,109.44
Investment Earnings	2,061,631.69	1,123,439.18	896,375.84	41,816.67
Total Revenues	54,265,166.08	50,467,580.91	2,912,659.06	884,926.11
Total Expenses	(57,327,074.21)	(51,705,406.65)	(4,829,124.11)	(792,543.45)
Change in Net Assets	$ (3,061,908.13)	$ (1,237,825.74)	$ (1,916,465.05)	$ 92,382.66

21. LITIGATION

The School Board is a defendant in numerous lawsuits as of June 30, 2007. It is the opinion of the District's 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 exceeded the above-mentioned limits, would not be material to the financial position of the District.

22. PRIOR PERIOD ADJUSTMENTS

Government Wide – Vacation Leave Liability/Expenses were incorrectly accrued for the 2005 and 2006 fiscal years. A prior year adjustment of $4,472,706.77 is included in the July 1, 2006 Compensated Absences Payable balance.

Governmental Funds – General Fund – In prior years, the District incorrectly accrued a liability in the General Fund for an estimate of the amount due to employees for vacation leave. As a result, a prior year adjustment of $2,597,840 is included to correct the fund balance in the General Fund at July 1, 2006.

Governmental Funds – Debt Service Fund – Due to late receipt of Capital Outlay and Debt Service entries from the Florida Department of Education, a prior year adjustment of $10,271.59 for overstatement of interest expenditures was recorded.

23. DEFICIT FUND BALANCE IN CAPITAL PROJECTS – SECTION 1011.14/1011.15 NOTES FUND

The Capital Projects – Section 1011.14/1011.15 Notes Fund reflects a deficit fund balance of $15,039 million as of June 30, 2007. The School Board plans to issue revenue anticipation notes during the 2007-08 fiscal year through the 2010-11 fiscal year as part of its five-year financing plan for District school facilities improvements. The proceeds for each note series along with additional funds from the annual capital outlay millage will be used to refund the previous outstanding notes until all outstanding notes are paid.

24. SUBSEQUENT EVENTS

Tax Anticipation Notes - The District issued a tax anticipation notes in the amount of $25,000,000 on October 23, 2007, to provide interim funds for payment of operating expenditures for the 2007-08 fiscal year, in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The note was issued at a coupon rate of 3.60 percent with a net interest cost of 3.3915 percent.

As discussed in Note 3, at June 30, 2007, the District had $158,816,411 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 14, 2007, the District withdrew all funds from the SBA Pool.

On January 22, 2008, the Board approved Certificates of Participation, Series 2008A, to fund High School "CCC" located in Palm Bay, Florida, not to exceed $59,000,000. The closing date has not yet been determined as of the date of this report.

FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brevard County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors and to address the District's exclusion of the four component units from the aggregate discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Except for the four charter schools noted above, other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the Brevard County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report, Finding Nos. 1 through 6, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Also, we noted certain additional matters which are not material to the basic financial statements which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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

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

Respectfully submitted,

David W. Martin, CPA
January 25, 2008

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

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

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

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

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.

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.

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.

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

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

Respectfully submitted,

David W. Martin, CPA
January 25, 2008

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550(2)	None	$ 1,174,425.30	$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	3,366,282.24	
National School Lunch Program	10.555	300	7,435,746.97	
Summer Food Service Program for Children	10.559	323	336,298.56	
Total Child Nutrition Cluster			11,138,327.77	
Total United States Department of Agriculture			12,312,753.07	
United States Department of Labor:				
Indirect:				
Florida Department of Education:				
Incentive Grants - WIA Section 503	17.267	590	1,058.32	
United States Department of Education:				
Direct:				
Impact Aid	84.041	N/A	1,653,960.96	
Magnet Schools Assistance	84.165	N/A	1,768,118.41	
Safe and Drug Free Schools and Communities - National Programs	84.184	N/A	831,528.94	
Fund for the Improvement of Education	84.215	N/A	629,165.74	
Total Direct			4,882,774.05	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	15,976,361.55	255,000.00
Special Education - Preschool Grants	84.173	266, 267	654,968.76	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	1,991.56	
Total Special Education Cluster			16,633,321.87	255,000.00
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191 , 192, 193	629,458.39	
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 228	12,990,485.05	
Migrant Education - State Grant Program	84.011	217	25,232.61	
Vocational Education - Basic Grants to States	84.048	151	820,422.85	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	294,436.75	
Even Start - State Educational Agencies	84.213	219	315,436.29	
Charter Schools	84.282	298	29,350.00	29,350.00
Twenty-First Century Community Learning Centers	84.287	244	289,367.22	
State Grants for Innovative Programs	84.298	113	137,928.97	
Education Technology State Grants	84.318	121	163,356.16	
Reading First State Grants	84.357	211	661,142.48	
Voluntary Public School Choice	84.361	299	129,119.84	
English Language Acquisition Grants	84.365	102	218,146.17	
Improving Teacher Quality State Grants	84.367	224	3,186,572.08	
Washington County District School Board:				
Reading First State Grants	84.357	None	16,548.00	
Total Indirect			36,540,324.73	284,350.00
Total United States Department of Education			41,423,098.78	284,350.00
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	34,139.67	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	294,938.54	
Air Force Junior Reserve Officers Training Corps	None	N/A	190,087.13	
Navy Junior Reserve Officers Training Corps	None	N/A	106,210.50	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	89,277.41	
Total United States Department of Defense			680,513.58	
Total Expenditures of Federal Awards			$ 54,451,563.42	$ 284,350.00

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

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

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

SUMMARY OF AUDITOR'S RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Brevard County District School Board for the fiscal year ended June 30, 2007:

- Except for the exclusion of four charter schools which are legally separate component units from the scope of the audit, there was no modification to the opinion on the financial statements.
- Certain matters involving the internal control and its operations were considered to be significant deficiencies, though none of the significant deficiencies was considered a material weakness.
- No noncompliance was reported which is material to the financial statements.
- No significant deficiencies in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Impact Aid (CFDA No. 84.041) and Title I Grants to Local Educational Agencies (CFDA No. 84.010).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was $1,633,546.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section __.510.

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Ernst & Young LLP 2005 - 06 report		No prior Federal audit findings.		

THIS PAGE INTENTIONALLY LEFT BLANK.

MANAGEMENT RESPONSE SECTION

School Board of Brevard County
2700 Judge Fran Jamieson Way • Viera, FL 32940-6699
Richard A. DiPatri, Ed.D., Superintendent

January 15, 2008 REVISED January 24, 2008

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

Dear Mr. Martin:

Listed below are responses to the preliminary and tentative audit findings and recommendations provided to the School Board of Brevard County for the fiscal year ending June 30, 2007.

Finding No. 1: Financial Reporting:

The District acknowledges that improvements are needed in accounting procedures and in the classification of expenditures. Three of the four adjustments were unrelated to the current year, but rather related to prior year adjustments required for compensated absences reported in FY05 and FY06.

District staff will work to enhance the overall accounting procedures to ensure the accuracy and completeness of the District's financial statements and provide further training to the accounting staff as appropriate during FY08.

Finding No. 2: Comprehensive Procedures:

District staff agrees that the comprehensive procedures manual should be updated as processes are modified. During FY07 there was significant staff turnover in the accounting office, both clerical staff and supervisory staff, thereby creating considerable challenges to maintaining an up-to-date procedures manual.

The accounting staff will work to update required modifications to the procedures manual during FY08, with a goal to complete all required updates during FY09. After all updates are completed in FY09, supervisory personnel will review the manual at least annually to provide additional on-going required updates.

Phone: (321) 633-1000, ext. 233 • FAX: (321) 633-3432

An Equal Opportunity Employer

Finding No. 3: Bank Reconciliations:

District staff agrees that there is work to be done to improve the bank reconciliation process. During FY07 there was turnover in the accounting position responsible to oversee and reconcile bank records. Due to the volume of entries and intricacies of the reconciliation process, bank reconciliations require a considerable investment of time to research discrepancies, reconcile the general ledger data to the bank data and the learning curve to perform this function is immense. Integration between the payroll data and the financial management system has also presented some challenges in the reconciliation process. Training is ongoing with the new accounting personnel that assumed these duties in FY07. During FY08, supervisory personnel will be expanding the review process and will provide recommendations to resolve the discrepancies to create better controls over the bank reconciliation function.

Finding No. 4: Capital Asset Controls:

District staff is currently in the testing phase of implementing an upgraded fixed asset software package for capital assets with full implementation projected for July 1, 2008. One of the initiatives of the implementation is to generate a fixed asset record in the fixed asset system for real personal property to include buildings, land, and non-building improvements. The district is currently in the process of obtaining historical cost estimates or appraised values where appropriate, for all of the District's land, buildings and non-building improvements. The result will be a detailed subsidiary capital asset record that will make it possible for the District to determine book values for each asset in the event of sale, loss, or impairment of the asset; however, this will be a time consuming project and will take a considerable amount of effort to bring the real personal property records up to date.

Staff is also currently working on process improvement methods with regard to all donated property, including land. District staff is committed to ensuring that these records will be maintained on a more permanent basis in future years.

Process improvement methods are also currently being implemented for the reconciliation of the detailed property records to the applicable capital outlay general ledger expenditures for furniture, fixtures, equipment, audio visual materials and computer software. For FY07, the District has identified and correctly accounted for $1,962,337 of the total difference between the detailed property records and the general ledger. Beginning with FY08, all differences between detailed property records and capital outlay expenditures reported in the general ledger are being reconciled. District staff is committed to continued improvements that will eliminate differences in future years.

Finding No. 5: Unreconciled and Unsupported Account Balances:

The District agrees that it is important to have procedures in place and resources available that provide for periodic general ledger account reconciliations with detailed supporting records. Reconciliations are currently being performed monthly on balance sheet accounts, which include a detailed listing of the outstanding balances. Procedures are in place to review the reconciliations and to make any necessary corrections; however, staff turnover creates many challenges for consistent, timely monthly reconciliations and follow through for ongoing corrective action.

Finding No. 6: Health Insurance-Monitoring:

The District agrees that procedures should be reviewed and enhanced related to claims' detail information and bank reconciliation. While District staff already performs random audit samples on eligibility claims that are currently maintained by the TPA, we agree that procedures should be enhanced to insure that proper internal controls are maintained. The SAS 70 reports will be reviewed annually and kept on file in the district office. To assist, the District will engage an internal audit firm to review the records of the TPA and the bank reconciliations that have been performed by the TPA on an annual basis, going forward

Finding No. 7: Health Insurance-Net Assets:

The GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* in June, 2004, to set forth the rules for reporting certain expenditures and liabilities for other post employment benefits. The District obtained a preliminary actuarial calculation in FY06 to estimate the potential impact of GASB 45 to the School Board's financial statements and early estimates indicate that the District's financial statements will be impacted by a net annual obligation of just over $4 million. Based on the information received by the actuary, a decision was made to maintain the balances in the Health Insurance Fund in an effort to offset some of the costs that would be incurred due to GASB 45. Implementation of GASB 45 is required for the District's FY08 financial statements, and the earlier estimates are currently being evaluated and updated by the actuary for FY08 reporting. Once the calculations have been finalized by the actuary, the District will have a better idea of the appropriate balance that should be maintained in the fund and will be able to establish more accurate net asset targets for the health insurance fund.

Finding No. 8: Cash Management:

District staff agrees that procedures could be enhanced for forecasting federal cash advances and the timing of disbursements to reduce potential deficits in federal funding cash flows. Currently, expenditures are reviewed and funds are requested once per week. Staff will continue to review processes to identify inefficiencies. During the FY04 audit, the Auditor General's office cited the District for having an excess position for federal

cash advances. The District staff will continue to work toward reaching an optimal level for federal cash advances.

Finding No. 9: Payroll Processing:

District staff agrees that the Community Educator's Credit Union is not a qualified public depository as defined by FS section 280.03. The credit union has been notified and a request has been made to the credit union staff to close the existing accounts and wire the current balances from the credit union to another qualified public depository. District staff has provided complete instructions to the credit union to execute the transaction.

Finding No. 10: Banking Services Processing:

District staff agrees that the latest award for banking services pursuant to the District's request for proposal was in May 2001. The District also agrees that requests for proposals stimulate a competitive process and generally allows for more competitive pricing; however, the District's current banking services provider has maintained the fee structure since the proposal was provided in May, 2001, with no increase in pricing. As a result, District staff believes that the current fee structure is competitive and benefits the District as compared to other fee structures. During FY08, District staff will be soliciting bids for banking services to ensure that the District is obtaining the lowest and best prices offered as compared to the services provided.

Finding No. 11: Cellular Telephones:

District staff agrees that revisions are required to policies and procedures currently used for cell phones. Staff has recently completed a request for proposal for wireless services and has just recently begun working with a new vendor to provide a better process for cell phone access and reporting personal use of cell phones. As part of the overall process, IRS guidelines will be reviewed and appropriate policies and procedures will be updated to comply with IRS requirements.

District staff will also review charges for communication services' taxes and request refunds where appropriate.

Finding No. 12: Information Technology:

The District has employed proper segregation of duties to the maximum extent practical for the staff in Information Technology. District staff agrees that there are instances where key employees have access privileges that are considered to be outside of the normal process flow; however, these employees have a legitimate business need for certain access privileges in order to perform their required job duties on a daily basis. Oversight is provided by the District's Manager of Systems and Security and the Information Security Analyst to ensure that access privileges are reviewed and updated annually for all employees. Transaction journals are also produced to provide for a review of all transactions created by employees with system access. These transaction

journals are available to Human Resources and Payroll for independent review of inappropriate transactions that could occur.

The District will continue to seek guidance from the Auditor General to insure that proper Internal controls and segregation of duties are in place going forward.

I would like to thank you and your staff from the Fort Pierce office for your support and cooperation during the FY07 audit. I look forward to the completion of the final report.

Sincerely,

Richard A. DiPatri, Ed.D
Superintendent

CC: Board Members
Audit Committee
Lee Berry
Judy R. Preston
Jo Ann Clark