AUDITOR GENERAL

DAVID W. MARTIN, CPA

MANATEE COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2007

Manatee 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.
Barbara A. Harvey, Vice-Chair from 11-21-06	*1*
Harry G. Kinnan, Vice-Chair to 11-20-06, Chair from 11-21-06	*2*
Larry Simmons, to 11-20-06	*3*
Jane R. Pfeilsticker, from 11-21-06	*3*
Frank Brunner to 11-20-06, Chair	*4*
Robert C. Gause, from 11-21-06	*4*
Walter E. Miller	*5*

Dr. Roger Dearing, Superintendent

AUDITOR GENERAL

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MANATEE COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Manatee County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2007, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

Finding No. 1: Financial Reporting

Improvements could be made in District procedures to ensure that certain account balances are properly reported at fiscal year-end.

Finding No. 2: Debt Administration

The District did not calculate and report an arbitrage rebate liability on its financial statements.

Finding No. 3: Cellular Telephones

District procedures did not provide for the value of cellular telephone (cell phone) services, provided to each employee assigned a cell phone, to be reported to the Internal Revenue Service, contrary to Federal requirements.

Finding No. 4: Fingerprinting Requirements

Contractual personnel, such as construction personnel, subcontractors, and day laborers hired by subcontractors, were permitted access on school grounds when students were present without undergoing the required background screenings.

Finding No. 5: Monitoring Charter Schools

The District did not timely obtain evidence of the required insurance coverage for the charter schools sponsored by the District.

Finding No. 6: Architect and Engineer Professional Liability Insurance

The District did not evidence the basis upon which it determined the sufficiency of architect and engineer professional liability insurance, potentially resulting in coverage which may not be adequate based on the anticipated project costs.

Finding No. 7: Timely Deletion of Computer Access Privileges

Controls, related to the immediate removal of access privileges for terminated employees, needed improvement.

Finding No. 8: Group Health Self-Insurance Plan – Annual Report

As of December 5, 2007, or 249 days after the required filing date, the District had not submitted its group health self-insurance annual report for the plan year ending 2006, contrary to Section 112.08(2)(b), Florida Statutes.

Finding No. 9: Cash Management

Cash draws were not sufficient to meet Federal program expenditure needs during the 2006-07 fiscal year, with monthly cash deficits ranging from approximately $102,600 to $8,283,650, necessitating the use of other District funds to temporarily pay Federal program costs.

Summary of Report on Federal Awards

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

Federal Awards Finding No. 1: Allowable Costs/Cost Principles – Services to Charter Schools

The District did not properly provide funding, totaling $12,289, for Special Education program services to two charter schools, resulting in questioned costs.

Federal Awards Finding No. 2: Allowable Costs/Cost Principles – Salary and Benefit Charges

Procedural improvements could be made to ensure that salary and benefit charges to the Special Education program are correct.

Federal Awards Finding No. 3: Special Tests and Provisions

The District could enhance its procedures to ensure that Federal Student Financial Assistance funds are properly disbursed in accordance with Federal requirements.

Federal Awards Finding No. 4: Allowable Costs/Cost Principles - Workers' Compensation Cost Allocation

Workers' compensation insurance costs were not allocated in a consistent manner to both Federal and non-Federal activities, resulting in questioned costs totaling $239,664.

Federal Awards Finding No. 5: Procurement – Contract Administration

The District entered into two contracts, totaling approximately $53,000, that excluded the Federally required language, contrary to Title 34, Section 80.36(i), Code of Federal Regulations.

Federal Awards Finding No. 6: Suspension and Debarment

The District entered into two contracts with one vendor for goods and services for $26,325.00 and $26,617.50, using Special Education program moneys, without verifying that the vendor was not suspended or debarred from receiving Federal funds.

Audit Objectives and Scope

Our audit objectives were to determine whether the Manatee 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 Derick Boston, CPA, and supervised by Cathi Davis, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

FINDINGS AND RECOMMENDATIONS

Significant Deficiency

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 and transactions on the financial statements. For example, our review disclosed that the District erroneously reported revenue, totaling approximately $34.1 million, related to a State Class Size reduction appropriation in the Capital Projects - Public Education Capital Outlay Fund, although the amounts should have been reported as deferred revenue. We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances on its financial statements.

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

Additional Matters

Finding No. 2: Debt Administration

Arbitrage earnings occur when a governmental entity issues tax-exempt debt and uses the proceeds to make investments, which have a higher rate of return than the interest cost paid on the debt. The Federal government has established rules and regulations which define the amount of arbitrage earnings that must be paid to the Federal government (arbitrage rebate).

Section 148(f), Title 26, United States Code (USC), provides, in part, that unless a minimum of 10 percent of the available construction proceeds of a bond issue are spent for the governmental purpose of the issue within the 6-month period after the bonds were issued, an arbitrage rebate may be due to the Federal government. The USC also provides that the District has five years from the time that all proceeds have been spent to have the arbitrage rebate calculation performed and paid along with any penalties. Additionally, generally accepted accounting principles require that a liability for arbitrage rebate be reported in the financial statements annually. On December 19, 2005, the District issued Sales Tax Revenue Bonds, Series 2005, totaling $28,000,000; however, as of June 19, 2006, or six months after the date the bonds were issued, the District had only spent proceeds, totaling approximately $638,000, which is significantly less than the 10 percent threshold to exempt the District from the requirement to calculate the arbitrage rebate. Inquiry with District staff indicated that the arbitrage calculation was not performed at June 30, 2006, or June 30, 2007, because the District had entered into contracts, totaling approximately $6,800,000, as of June 19, 2006, that obligated the bond proceeds. Upon further inquiry,

the District informed us that it intends to calculate the arbitrage rebate liability; however, as of December 19, 2007, this calculation had not been performed.

Recommendation: The District should implement procedures to calculate the amount of estimated arbitrage rebate liability and report the arbitrage rebate liability in its financial statements.

Finding No. 3: Cellular Telephones

The District provided cellular phones (cell phones) to certain employees for use in performing their duties. According to District records, 461 cell phones were provided to District employees during the 2006-07 fiscal year at a cost of approximately $98,000.

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 bill is an example of such a record. In addition, employers must review the employee's cell phone bills to confirm the cell phone was only used for business. In the absence of implementation of these policies and procedures, the District should report appropriate amounts as income to the IRS in accordance with Federal requirements.

The District established guidelines, governing the use of cell phones, which request that employees limit personal use of the District cell phones and encourage the employee to purchase a second phone line at their own expense. In addition, the cell phones are set up with a monthly allowed base of minutes; however, the District guidelines do not require employees to document the business purpose for each call nor do the guidelines require a review of the cell phone statement. 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 did not include the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

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

Finding No. 4: Fingerprinting Requirements

The District should establish adequate procedures for timely obtaining fingerprints and background checks for certain contractors. Section 1012.465, Florida Statutes, requires that contractors, who are permitted access on school grounds when students are present, to undergo a background screening, including a requirement that such personnel file a complete set of fingerprints taken by an authorized law enforcement agency or an employee of

the District who is trained to take fingerprints. In a Technical Assistance Paper for the Jessica Lunsford Act, dated August 15, 2005, the Florida Department of Education (FDOE) clarified this requirement by stating that districts conduct the required background screenings of contractual personnel at a location designated by the district.

In a memorandum, *Notification to Individuals, Vendors, and Contractors Doing Business with The School Board of Manatee County, Florida*, dated August 18, 2005, the District informed contractual personnel, permitted access on school grounds when students were present, that it was their responsibility to comply with the law. However, contrary to the guidance from FDOE, the District's memorandum attempts to delegate its responsibility to ensure the required background screenings for contractual personnel were conducted. Further, our review disclosed contractual personnel, such as construction personnel, subcontractors, and day laborers hired by subcontractors, were permitted access on school grounds when students were present without undergoing the required background screenings. Failure to conduct the required background screenings of contractual personnel increases the risk that such personnel may have backgrounds that are not suitable for direct contact with students, and exposes the District to potential litigation should a legal claim involving contractual personnel occur.

Recommendation: The District should enhance its personnel procedures to ensure that required fingerprinting and background checks are performed for contractors who are permitted access to school grounds when students are present. Further, documentation of these procedures should be retained to evidence that the required fingerprinting and background checks were performed and reviewed, as required.

Auditor's Clarification:

In response to Finding No. 4, the District indicates that nothing in the law requires the District to perform the fingerprinting and screening of contractual personnel who are permitted access on school grounds when students are present and that the District requires through its contracts that contractual personnel comply with the statute. Also, the District indicates that the Department of Education's Technical Assistance Paper is not accurate and is not binding on the District. Section 1012.465, Florida Statutes, Department of Education Technical Assistance Paper for the Jessica Lunsford Act, dated August 15, 2005, and Section 1012.467, Florida Statutes, provide that contractual personnel who are permitted access on school grounds when students are present, unless exempted by Section 1012.468, Florida Statutes, must meet specified screening requirements and the District is required by law to screen the results using the specified disqualifying offenses. The point of our finding is that District procedures should be enhanced to ensure that contracted personnel are not permitted access on school grounds when students are present unless they have met the screenings required by law.

Finding No. 5: Monitoring of Charter Schools

During the 2006-2007 fiscal year, the District sponsored the following schools: The Opportunity Charter School; Center Academy Charter School; Imagine Charter School at North Manatee; Oasis Middle School; Manatee County Juvenile Justice Charter School; Manatee School for the Arts; Richard Milburn Academy; and The

Manatee School of Arts and Sciences, Inc. Pursuant to Section 1002.33(5), Florida Statutes, the District is required to monitor and review the charter school in its progress towards goals established in its charter. Each charter school contract requires the school to provide proof of insurance for general liability coverage, automobile coverage, errors and omissions coverage, property coverage and workers' compensation. In addition, the contracts require the school to furnish the District with fully completed certificate(s) of insurance signed by an authorized representative of the insurer(s) providing the coverage before the initial opening day of classes. However, our initial review of District records, in June 2007, indicated that the District had not obtained evidence of the required insurance coverage for any of its eight charter schools. Subsequent to our audit inquiry, the District obtained certain insurance certificates from seven of the charter schools, but, as of November 2007, the Oasis Middle School charter school still had not provided the District with any evidence of the required insurance certificates.

Our review of insurance certificates provided by the charter schools disclosed the following:

- Five charter schools (The Opportunity Charter School, Center Academy Charter School, Imagine Charter School at North Manatee, Manatee County Juvenile Justice Charter School, and Manatee School for the Arts) did not provide documentation of errors and omissions coverage, and Richard Milburn Academy only provided documentation for errors and omission coverage for the period January 2007 to September 2007.
- Six charter schools (The Opportunity Charter School, Center Academy Charter School, Imagine Charter School at North Manatee, Manatee County Juvenile Justice Charter School, Manatee School for the Arts, and Manatee School of Arts and Sciences, Inc.) did not provide documentation for worker's compensation insurance. Richard Milburn Academy's contract required a minimum of $1 million per occurrence/$2 million annual aggregate of workers' compensation coverage; however, the charter school's certificate of liability insurance did not provide for the $2 million annual aggregate amount.

Without adequate procedures to monitor the charter schools' insurance coverage, the risk increases for insufficient coverage, subjecting the District to potential losses. A similar finding was noted in our report No. 2005-201.

Recommendation: The District should ensure that its charter schools are in compliance with the contract provisions regarding insurance coverage.

Finding No. 6: Architect and Engineer Professional Liability Insurance

The District contracts for architectural and engineering services for design and construction administration services for its significant construction projects. Section 4.1(2)(f) of the Florida Department of Education's publication, *State Requirements for Educational Facilities – 1999*, recommends that district school boards either develop board policy to provide insurance for errors and omissions or liability, or require the design professional to carry insurance by including this requirement in the advertisement for request for services. Although the Board policy requiring insurance for design professionals does not specify an amount of insurance required, the District, in its standard agreement with the architect and engineers, requires a minimum coverage amount of $1 million for professional liability insurance.

Our review of five architect and engineer contracts related to construction contracts, ranging from $6 million to $17 million, disclosed that the District received evidence of required professional liability insurance ranging from $1 million to $2 million, with most architects and engineers providing the District-required minimum of $1 million. However, the District did not evidence the basis upon which it determined the sufficiency of the insurance, potentially resulting in coverage which may not be adequate based on the anticipated project costs. Establishing procedures to ensure sufficient design professional insurance coverage would enhance the District's protection in the event that deficiencies exist in the work performed by these professionals.

Recommendation: The District should enhance its procedures to ensure that its architectural firms are adequately and properly insured.

Finding No. 7: Timely Deletion of Computer Access Privileges

It is important when employees leave an organization or are reassigned to duties not requiring the same access to information technology (IT) resources that their access privileges are promptly removed to reduce the risk of access privileges being exploited by the terminated or reassigned employees or others. District records show that 377 employees terminated employment during the 2006-07 fiscal year. Human Resources Department personnel were responsible for inputting the dates that employees terminated employment into the JD Edwards operating system (used for finance, purchasing, human resource, and construction services applications). Technology and Information Service's personnel obtained a list of terminated employees from the JD Edwards operating system which served to identify the employees whose computer access privileges were to be deleted from the JD Edwards operating system, AS 400 server (used for finance and student records applications), and First Class Mail email server, and as a record of such deletions. Our review of District records for 15 terminated employees during fiscal year 2006-07 disclosed the following:

- Computer access privileges were deleted from the JD Edwards system for 7 terminated employees from 15 to 36 days after the termination dates.
- Computer access privileges were deleted from the AS 400 server for 12 terminated employees from 12 to 42 days after the termination dates.
- Although District practice is to delete computer access privileges from the First Class Mail email server 90 days after the termination dates, the District had not documented the exact deletion date for all 15 terminated employees.
- The District did not maintain logs of IT access modifications to evidence that terminated employees' access privileges were removed timely. Without logs of IT access modifications, the District may be unable to determine when a user's access was modified and the District's ability to pinpoint accountability for a breach of security, should it occur, may be hindered.

Although our tests did not disclose any instances or errors or misappropriations, allowing access capabilities to remain active for terminated employees increases the risk of unauthorized disclosure, modification, or loss of data and IT resources by the terminated employees or others.

Recommendation: The District should strengthen its controls related to the immediate removal of access privileges for terminated employees, including documentation of the process, in order to minimize the risk of compromising the District's data and information resources.

Finding No. 8: Group Health Self-Insurance Plan – Annual Report

The District provides for employee health and hospitalization insurance through a self-insurance plan pursuant to Section 112.08, Florida Statutes. Section 112.08(2)(b), Florida Statutes, requires the District to submit its self-insured plan, along with a certification as to the actuarial soundness of the plan, to the Florida Department of Financial Services, Office of Insurance Regulation (OIR) in order to obtain approval of the plan. Florida Statutes further provide that the approval of the self-insured plan will not be granted unless OIR determines that the plan is designed to provide sufficient revenues to pay current and future liabilities as determined according to generally accepted actuarial principles. After implementation of the approved plan, each district school board must annually submit to OIR a report which includes a statement prepared by an actuary as to the actuarial soundness of the plan. The annual report is due 90 days after the close of the fiscal year of the plan, and since the District's plan year closes on December 31, the annual report should be filed by March 30 of each year. However, as of December 5, 2007, or 249 days after the required filing date, the District had not submitted its annual report for the plan year ending 2006. The District informed us that it anticipates filing the annual report in January 2008. Without timely filing annual reports, the District may limit OIR's ability to properly monitor the District's plan. A similar finding was noted in report Nos. 02-185 and 2005-201.

Recommendation: The District should take appropriate action to ensure that the Group Health Self-Insurance plan is timely filed with the Florida Department of Financial Services, Office of Insurance Regulation.

Finding No. 9: Cash Management

The District could have realized additional interest earning had it requested sufficient funds to meet Federal program expenditure needs. The District draws Federal cash through the Florida Department of Education to fund its expenditure needs for various Federal programs. Our comparison of the District's available Federal cash (beginning cash balance plus draws) for each month to disbursements for that month disclosed that the cash draws were not sufficient to meet Federal program expenditure needs during the 2006-07 fiscal year. Monthly cash deficits ranged from approximately $102,600 to $8,283,650, necessitating the use of other District funds to temporarily pay Federal program costs. As a result, the District lost investment opportunities from which additional interest earnings could have been realized. A similar finding was noted in report Nos. 02-185 and 2005-201.

Recommendation: The District should strengthen its procedures for monitoring Federal cash needs to provide for timely receipt of Federal cash, and to eliminate the necessity of using other District funds to temporarily finance Federal program costs.

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 Manatee County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in this report, beginning on page 81.

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 Balances – Budget and Actual - General Fund.*
EXHIBIT – H	*Statement of Fund 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 Net Assets – Fiduciary Funds.*
EXHIBIT – L	*Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.*
EXHIBIT – M	*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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee 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 8. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal accounts, which represent 9 percent of the assets and 12 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal accounts and the aggregate discretely presented component units, is based on the reports of the other auditors.

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

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

aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee 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 Manatee 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 11 through 20) 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 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Manatee County, Florida (District), has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. 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.

FINANCIAL HIGHLIGHTS

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

- The assets of the District exceed its liabilities at the close of the most recent fiscal year by $588,138,343.
- The District's total net assets increased by $35,198,456.
- As of the close of the current fiscal year, the District's governmental funds report combined fund balances of $113,864,695, a decrease of $69,429,243 in comparison with the prior year.
- The District issued $60,040,000 in Certificates of Participation during the 2006-07 fiscal year. These certificates were used to finance construction projects at Annie Lucy Williams Elementary School, Palmetto Elementary School replacement, and completion of the Manatee Technical Institute's Public Safety and Fire Academies, as well as King Middle School. Proceeds of this issue were, in part, used to repay a portion of the revenue anticipation note issued in the previous fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $9,739,387, or 3 percent of total General Fund expenditures. The unreserved fund balance is available for spending at the District's discretion.

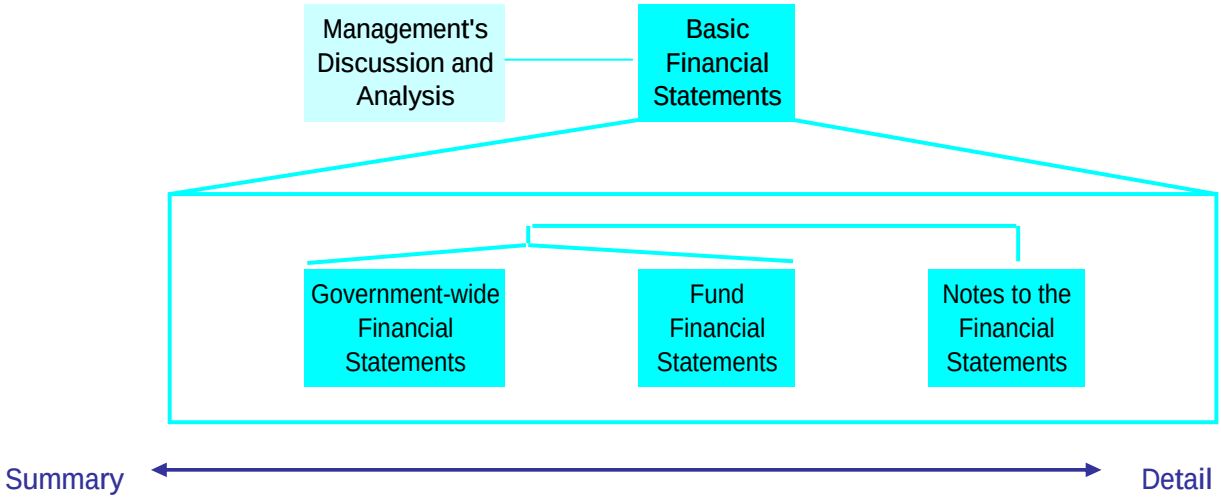
OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

The illustration below shows how the various parts of the financial section are arranged and relate to one another.



Government-Wide Financial Statements

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

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

The statement of activities provides information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the above government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the District include such functions as instruction, pupil personnel services, administration, pupil transportation, maintenance, and other items. The District does not report any business-type activities.

The government-wide financial statements include not only the District itself (known as the primary government), but also five charter schools and the Manatee Education Foundation, Inc., for which the District is financially

accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on page 21 through 23 of this report.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, State revenues, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents six separate legal entities in this report including the Manatee School of Arts and Sciences, Inc.; Renaissance Arts and Education, Inc., d/b/a Manatee School For the Arts; Developmental Center- Manatee, Inc., d/b/a Bradenton Charter School; Imagine Charter School at North Manatee; and Oasis Middle School, Inc., and Manatee Education 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.

  The Manatee 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 funds of the District can be put into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the

governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

The District maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Three capital project funds are considered to be major funds and are presented in the same manner. Data from the other eight governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Proprietary Funds. The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its self-insurance programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the District's self-insurance programs. The two internal service funds are combined in a single, aggregated presentation in the Proprietary Fund financial statements. Individual fund data for the internal service funds is provided in the notes to financial statements.

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.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by $588,138,343, at the close of the most recent fiscal year.

The largest portion of the District's net assets (96 percent) is it's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to educate the students of Manatee County, Florida; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	$ 216,663,021	$ 222,739,271
Capital Assets	819,682,128	678,019,765
Total Assets	1,036,345,149	900,759,036
Current Liabilities	97,293,080	36,739,605
Long-term Liabilities	350,913,726	311,079,544
Total Liabilities	448,206,806	347,819,149
Net Assets:		
Invested in Capital Assets - Net of Debt	564,850,302	444,809,150
Restricted	38,519,106	115,289,796
Unrestricted (Deficit)	(15,231,065)	(7,159,059)
Total Net Assets	$ 588,138,343	$ 552,939,887

An additional portion of the District's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets except for a negative $15,231,065 in unrestricted net assets. The negative $15,231,065 (negative 2 percent) in unrestricted assets was partly the result of accruing $25,531,646 in compensated absences payable.

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:

	Governmental Activities	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	$ 9,170,644	$ 8,437,002
Operating Grants and Contributions	45,026,309	43,335,714
Capital Grants and Contributions	30,046,346	23,565,976
General Revenues:		
Property Taxes, Levied for Operational Purposes	166,157,662	141,871,217
Property Taxes, Levied for Capital Projects	59,200,459	47,823,924
Other Taxes	23,846,026	23,843,178
Grants and Contributions Not Restricted to Specific Programs	50,183,098	36,378,889
Unrestricted Investment Earnings	11,508,924	7,732,378
Miscellaneous	8,920,791	4,354,539
Florida Education Finance Program	66,329,251	77,817,105
Total Revenues	470,389,510	415,159,922
Functions/Program Expenses:		
Instruction	221,849,717	196,226,818
Pupil Personnel Services	17,532,693	15,752,750
Instructional Media Services	4,691,559	4,259,008
Instruction and Curriculum Development Services	9,724,070	8,405,599
Instructional Staff Training Services	5,856,116	5,100,115
Instruction Related Technology	255,573	230,520
Board of Education	1,284,241	1,203,218
General Administration	2,329,264	2,645,893
School Administration	21,779,267	19,495,772
Facilities Acquisition and Construction	44,444,108	42,035,421
Fiscal Services	2,070,627	1,794,316
Food Services	16,494,463	14,713,779
Central Services	11,245,155	8,142,655
Pupil Transportation Services	13,289,402	11,452,329
Operation of Plant	28,254,827	25,326,401
Maintenance of Plant	10,533,431	9,486,299
Administrative Technology Services	3,967,204	3,469,666
Community Services	105,089	120,581
Interest on Long-Term Debt	13,597,024	11,389,742
Unallocated Depreciation/Amortization Expense	635,995	365,886
Loss on Disposal of Capital Assets	5,251,229	
Total Functions/Program Expenses	435,191,054	381,616,768
Increase in Net Assets	35,198,456	33,543,154
Net Assets, Beginning	552,939,887	519,396,733
Net Assets, Ending	$ 588,138,343	$ 552,939,887

The total governmental net assets increased by $35,198,456 during the current fiscal year. All of this increase represents the degree to which increases in ongoing revenues have outpaced similar increases in ongoing expenses.

Governmental Activities. Governmental activities increased the District's net assets by $35,198,456, thereby accounting for all of the total growth in the net assets of the District. Key elements of the increase are as follows:

- Property taxes increased by $35,662,980, or 19 percent during the year. Most of this increase is due to higher taxable assessed values and new construction.

- Revenues from local sources, other than property taxes, increased by $8,283,522, or 23 percent during the year. Most of this increase is due to increases in sales tax collections, impact fee collections, and investment earnings.
- For the most part, increases in expenses closely parallel inflation and growth in Class Size Reduction expenditures.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund is $9,739,387, while the total fund balance reached $11,920,032. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. The unreserved fund balance represents 3 percent of total General Fund expenditures, while total fund balance represents 4 percent of that same amount. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (1) liquidate contracts and purchase orders outstanding at year-end, $1,103,879; (2) fund specific state categorical programs, $640,817; and (3) fund inventory, $435,949.

The fund balance of the District's General Fund decreased by $3,310,456 during the current fiscal year. A key factor in this decrease was higher than expected energy costs and significantly lower student enrollment.

The Capital Projects - Section 1011.14/1011.15, Florida Statutes, Loan Fund is used to account for the funds received through the issuance of short-term notes to fund projects authorized pursuant to the provisions of Sections 1011.14 and 1011.15, Florida Statutes. On May 22, 2007, the Board repaid $20,000,000 of the $30,000,000 used to finance the acquisition, construction, installation, and equipping of various capital improvements constituting educational facilities within the District, including but not limited to, construction of Elementary Schools "F" and "G", Middle School "BB", Manatee Technical Institute, certain capital improvements to King Middle School, and the purchase of additional school buses. This fund ended with a fund balance of $6,077,767 earmarked for specific engineering and construction contracts for projects in progress at year-end.

The Capital Projects – Section 1011.71(2), Florida Statutes, Local Capital Improvement Tax Fund is used to account for the financial resources generated by the Board's levy of a nonvoted capital improvement tax of two mills to be used for educational capital needs and provide for debt service payments, pursuant to provisions of Section 1011.71(2), Florida Statutes. This fund ended with a fund balance earmarked for capital projects of $46,666,182. This is a 21 percent decrease from the prior fiscal year. The key factor for this decrease in fund balance was the use of resources accumulated in prior years to fund capital outlay projects that were completed or substantially completed in the 2006-07 fiscal year. It should be noted that $25,241,898 of the total fund balance has been encumbered and the remaining $21,424,284 is earmarked for specific engineering and construction contracts for projects in progress at year-end.

The Capital Projects - Other Fund is used to account for the financial resources generated by various sources. Included in this fund were certificates of participation proceeds, impact fees, Class Size Reduction Construction Program funds, sales tax revenues, effort recognition, and other capital outlay fund sources. The fund balance for this fund at the fiscal year-end, which was all earmarked for capital projects, was $38,135,282, a decrease of $44,276,092 from the prior fiscal year. The key factor for this decrease in fund balance is the use of resources accumulated in prior years to fund capital outlay projects that were completed or substantially completed in the 2006-07 fiscal year and the recording of the deferred revenue for Class Size Reduction Construction Program funding. It should be noted that $32,600,135 of the total fund balance has been encumbered and $5,535,147 is earmarked for specific engineering and construction contracts for projects in progress at year-end.

Proprietary Funds

The District's Proprietary Funds provide the same type of information found in the government-wide financial statements. Net assets at the end of the current fiscal year for the District's self-insurance programs were a negative $359,277. The total decrease in the District's self-insurance programs' net assets was $3,895,350. A key element of this decrease is increased utilization of self-insurance by employees. The Board has approved increases in Board and employee premiums to eliminate the negative balance in net assets.

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 used to account for actual transactions. The most significant budgeted fund is the General Fund.

At year-end, the District had a positive ending fund balance budget variance of $2,816,858. The primary reasons for this variance are explained below:

- Purchased services were under expended by approximately $1,800,000.
- Several schools and departments under spent their materials and supplies budget for the year by approximately $1,000,000. Any unused budget for the schools is carried over to the following year.
- Capital outlay expenditures were approximately $1,600,000 less than expected.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounts to $819,682,128 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio-visual materials and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was $141,662,365 or 21 percent.

Major capital asset events during the current fiscal year included the following:

- Completion of two replacement elementary schools: Blanche H. Daughtrey and Jessie P. Miller Elementary Schools.
- Completion of two elementary schools, (B. D. Gullet and Annie Lucy Williams Elementary Schools); one middle school, (Buffalo Creek Middle School); and one alternative school, (Horizon Academy).
- Ongoing construction and renovation at five elementary schools: Blackburn, Manatee, Palma Sola, Samoset Accelerated, and Sea Breeze Elementary Schools.

District School Board of Manatee County, Florida's Capital Assets

(Net of depreciation)

	Governmental Activities	
	6-30-07	6-30-06
Land	$ 38,862,887	$ 35,620,811
Improvements Other Than Buildings	8,600,918	8,373,369
Buildings and Fixed Equipment	642,329,146	566,603,060
Furniture, Fixtures, and Equipment	15,855,170	19,950,819
Motor Vehicles	8,872,439	7,170,251
Property Under Capital Lease		
Construction in Progress	102,955,418	38,281,511
Audio Visual Materials and Computer Software	2,206,150	2,019,942
Total	$ 819,682,128	$ 678,019,763

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At the end of the fiscal year, the District had total debt outstanding of $319,199,088. Of this amount, debt backed by the full faith and credit of the State of Florida totals $13,386,276. The remaining debt consists of $153,392,655 in certificates of participation, $142,420,157 in sales tax revenue bonds, and a note payable of $10,000,000. The sales tax revenue bonds are supported by the pledge of the District's portion of infrastructure sales tax.

New long-term debt issued during the current fiscal year included Certificates of Participation Series 2007 in the amount of $60,040,000.

During the current fiscal year, the District paid $29,935,000 for principal payments on long-term debt as follows:

Revenue Anticipation Note	$ 20,000,000
State School Bonds	795,000
Sales Tax Revenue Bonds	4,000,000
Certificates of Participation	5,140,000
Total Principal Payments	$ 29,935,000

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

OTHER MATTERS OF SIGNIFICANCE

Economic Factors and for the future

For the fiscal year 2007-08, the District has thus far experienced a less than 1 percent increase in student FTE over the 2006-07 fiscal year. Based on known development and anticipated activities in and throughout the County, the District expects a similar annual growth rate in the foreseeable future.

At the time these financial statements were prepared, the District was not aware of material instances that could significantly affect its financial condition in the future that had not already been contemplated.

On November 29, 2007, the trustees of the Local Government Investment Pool (LGIP) temporarily closed the pool as a result of significant withdrawals from the LGIP by other governmental entities. At the time of closure the District had $47,832,084.33 invested with the LGIP. When the fund reopened on December 6, 2007, the District withdrew the maximum amount allowed without penalty, $6,142,762.19. The District continues to drawdown available balances as permitted. The District has sufficient investments outside the LGIP such that the lack of liquidity in the LGIP will not have negative effect on the ability of the District to conduct business in its ordinary manner.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director of Finance, Manatee County Schools, 215 Manatee Avenue West, Bradenton, Florida 34205.

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

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	$ 8,900,464	$ 2,625,612
Investments	75,932,732	
Accounts Receivable	2,626,320	330,176
Interest Receivable	4,590	
Taxes Receivable	4,776,400	
Deposits Receivable	151,376	38,559
Deferred Charges	2,421,468	30,251
Prepaid Items	34,082	217,614
Due from Other Agencies	55,672,188	
Inventories	1,776,139	
Restricted Assets:		
Cash with Fiscal Agent	64,367,262	
Capital Assets:		
Land	38,862,887	535,252
Construction in Progress	102,955,418	
Improvements Other Than Buildings, Net	8,600,918	
Buildings and Fixed Equipment, Net	642,329,146	
Furniture, Fixtures, and Equipment, Net	15,855,170	
Motor Vehicles, Net	8,872,439	
Audio Visual Materials and Computer Software, Net	2,206,150	
Other Capital Assets, net		8,504,269
TOTAL ASSETS	1,036,345,149	12,281,733
LIABILITIES		
Salaries and Benefits Payable	5,933,865	540,072
Payroll Deductions and Withholdings Payable	1,752,450	
Accounts Payable	7,224,659	666,342
Construction Contracts Payable	4,494,301	
Construction Contracts Payable - Retainage	8,846,581	
Accrued Interest Payable	1,814,664	
Matured Certificates of Participation Payable	5,140,000	
Matured Interest Payable	2,439,759	
Deferred Revenue	35,546,801	
Tax Anticipation Note Payable	22,000,000	
Estimated Insurance Claims Payable	2,100,000	
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable	10,000,000	
Bonds Payable	11,165,000	498,944
Certificates of Participation Payable	7,335,000	
Compensated Absences Payable	1,250,000	
Obligation Under Capital Lease/Installment Purchase		115,866
Estimated Early Retirement Payable	307,586	
Portion Due After One Year:		
Estimated Insurance Claims Payable	5,257,719	
Notes Payable		33,274
Bonds Payable	144,641,433	5,549,386
Certificates of Participation Payable	146,057,655	
Compensated Absences Payable	24,281,646	
Obligation Under Capital Leases		199,681
Estimated Early Retirement Payable	617,687	
Total Liabilities	448,206,806	7,603,565
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	564,850,302	2,922,445
Restricted for:		
Capital Projects	35,176,191	
Debt Service	351,438	
State Categorical Programs	640,817	
Scholarships, Endowments, and Other Programs	2,350,660	576,515
Unrestricted	(15,231,065)	1,179,208
Total Net Assets	$ 588,138,343	$ 4,678,168

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

EXHIBIT - B
MANATEE 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	$ 221,849,717	$ 1,243,772	$ 28,089,606	$
Pupil Personnel Services	17,532,693			
Instructional Media Services	4,691,559			
Instruction and Curriculum Development	9,724,070			
Instructional Staff Training Services	5,856,116			
Instruction Related Technology	255,573			
Board of Education	1,284,241			
General Administration	2,329,264			
School Administration	21,779,267			
Facilities Acquisition and Construction	44,444,108			26,298,279
Fiscal Services	2,070,627			
Food Services	16,494,463	6,676,778	9,849,032	
Central Services	11,245,155	756,021		
Pupil Transportation Services	13,289,402	494,073	7,087,671	
Operation of Plant	28,254,827			
Maintenance of Plant	10,533,431			2,308,778
Administrative Technology Services	3,967,204			
Community Services	105,089			
Interest on Long-Term Debt	13,597,024			1,439,289
Unallocated Depreciation/Amortization Expense	635,995			
Loss on Disposal of Capital Assets	5,251,229			
Total Primary Government	$ 435,191,054	$ 9,170,644	$ 45,026,309	$ 30,046,346
Component Units				
Charter Schools	$ 11,006,920	$ 186,485	$ 351,677	$ 81,061
Manatee Education Foundation, Inc.	590,616		332,904	
Total Component Units	$ 11,597,536	$ 186,485	$ 684,581	$ 81,061

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Sales Taxes
Florida Education Finance Program
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets - July 1, 2006

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	
$ (192,516,339)	$
(17,532,693)	
(4,691,559)	
(9,724,070)	
(5,856,116)	
(255,573)	
(1,284,241)	
(2,329,264)	
(21,779,267)	
(18,145,829)	
(2,070,627)	
31,347	
(10,489,134)	
(5,707,658)	
(28,254,827)	
(8,224,653)	
(3,967,204)	
(105,089)	
(12,157,735)	
(635,995)	
(5,251,229)	
(350,947,755)	
	(10,387,697)
	(257,712)
	(10,645,409)
166,157,662	
59,200,459	
23,846,026	
66,329,251	
50,183,098	10,848,894
11,508,924	54,205
8,920,791	
386,146,211	10,903,099
35,198,456	257,690
552,939,887	4,420,478
$ 588,138,343	$ 4,678,168

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

	General Fund	Capital Projects - Section 1011.14/1011.15, Loan Fund	Capital Projects - Section 1011.71(2), F.S. Local Capital Improvement Tax Fund
ASSETS			
Cash	$ 1,320,031	$	$
Cash with Fiscal Agent	3,503		
Investments	30,272,023	21,182,910	3,845,139
Accounts Receivable	2,482,342		
Interest Receivable	4,590		
Taxes Receivable	2,209,741		787,240
Deposit Receivable	51,376		
Prepaid Items	34,082		
Due from Other Funds	6,358,791		46,102,085
Due from Other Agencies	471,375		
Inventories	974,533		
TOTAL ASSETS	$ 44,182,387	$ 21,182,910	$ 50,734,464
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Wages Payable	$ 5,933,865	$	$
Payroll Deductions and Withholding Payable	1,752,450		
Accounts Payable	2,465,820		390,073
Construction Contracts Payable			993,012
Retainage Payable			2,685,197
Note Payable	22,000,000		
Matured Interest Payable			
Matured Certificates of Participation Payable			
Due to Other Funds		15,105,143	
Deferred Revenue	110,220		
Total Liabilities	32,262,355	15,105,143	4,068,282
Fund Balances:			
Reserved for State Categorical Programs	640,817		
Reserved for Encumbrances	1,103,879		25,241,898
Reserved for Inventories	435,949		
Reserved for Retirement of Long-Term Debt			
Unreserved, Reported in:			
General Fund	9,739,387		
Debt Service Funds			
Special Revenue Funds			
Capital Projects Funds		6,077,767	21,424,284
Total Fund Balances	11,920,032	6,077,767	46,666,182
TOTAL LIABILITIES AND FUND BALANCES	$ 44,182,387	$ 21,182,910	$ 50,734,464

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

EXHIBIT - C

Capital Projects - Other Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
$	$ 7,580,433	$ 8,900,464
64,111,802	251,957	64,367,262
16,878,105	3,754,555	75,932,732
	142,031	2,624,373
		4,590
1,779,419		4,776,400
		51,376
		34,082
	37,106	52,497,982
38,161,257	17,039,556	55,672,188
	801,606	1,776,139
$ 120,930,583	$ 29,607,244	$ 266,637,588

$	$	$ 5,933,865
		1,752,450
1,316,069	294,505	4,466,467
3,501,289		4,494,301
6,106,237	55,147	8,846,581
		22,000,000
	2,439,759	2,439,759
	5,140,000	5,140,000
36,556,688	10,542,572	62,204,403
35,315,018	69,829	35,495,067
82,795,301	18,541,812	152,772,893
		640,817
32,600,135	1,539,050	60,484,962
	801,606	1,237,555
	351,438	351,438
		9,739,387
	250,850	250,850
	988,090	988,090
5,535,147	7,134,398	40,171,596
38,135,282	11,065,432	113,864,695
$ 120,930,583	$ 29,607,244	$ 266,637,588

EXHIBIT - D
MANATEE 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		$ 113,864,695
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.		819,682,128
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(1,814,664)
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt.		2,421,468
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		(359,277)
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:		
Notes Payable	$ (10,000,000)	
Bonds Payable	(155,806,433)	
Certificates of Participation	(153,392,655)	
Estimated Early Retirement Payable	(925,273)	
Compensated Absences Payable	(25,531,646)	(345,656,007)
Total Net Assets - Governmental Activities		$ 588,138,343

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

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

	General Fund	Capital Projects - Section 1011.14/1011.15, Florida Statutes Loan Fund	Capital Projects - Section 1011.71(2), F.S. Local Capital Improvement Tax Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 455,488	$	$
Federal Through State	903,477		
State	126,629,064		
Local	176,344,526	1,132,974	62,062,857
Total Revenues	304,332,555	1,132,974	62,062,857
Expenditures			
Current - Education:			
Instruction	201,654,633		
Pupil Personnel Services	14,305,786		
Instructional Media Services	4,549,203		
Instruction and Curriculum Development	6,055,856		
Instructional Staff Training Services	3,637,133		
Instruction Related Technology	249,141		
Board of Education	1,273,375		
General Administration	1,483,202		
School Administration	21,259,100		
Facilities Acquisition and Construction	1,684,682	75,087	13,204,917
Fiscal Services	2,119,979		
Food Services			
Central Services	10,960,404		
Pupil Transportation Services	12,180,235		
Operation of Plant	27,928,365		
Maintenance of Plant	10,122,396		
Administrative Technology	3,941,371		
Community Services	103,855		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	147,592	778,211	37,806,995
Other Capital Outlay	1,330,441	1,372,828	3,660,831
Debt Service:			
Principal		20,000,000	
Interest and Fiscal Charges		1,782,621	
Total Expenditures	324,986,749	24,008,747	54,672,743
Excess (Deficiency) of Revenues Over Expenditures	(20,654,194)	(22,875,773)	7,390,114
Other Financing Sources (Uses)			
Bonds Issued			
Discount on Bonds			
Transfers In	17,343,738	9,492,047	
Certificates of Participation Issued			
Premiums on Bonds Issued			
Transfers Out			(20,157,892)
Total Other Financing Sources (Uses)	17,343,738	9,492,047	(20,157,892)
Net Change in Fund Balances	(3,310,456)	(13,383,726)	(12,767,778)
Fund Balances, July 1, 2006	15,230,488	19,461,493	59,433,960
Fund Balances, June 30, 2007	$ 11,920,032	$ 6,077,767	$ 46,666,182

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

EXHIBIT - E

Capital Projects - Other Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
$	$ 1,903,993	$ 2,359,481
	34,637,959	35,541,436
1,666,231	12,208,057	140,503,352
47,246,579	6,850,844	293,637,780
48,912,810	55,600,853	472,042,049
	15,863,405	217,518,038
	2,859,949	17,165,735
	19,641	4,568,844
	3,468,625	9,524,481
	2,136,572	5,773,705
	472	249,613
		1,273,375
	863,419	2,346,621
	122,326	21,381,426
12,204,862	16,464	27,186,012
		2,119,979
	16,229,804	16,229,804
	166,223	11,126,627
	912,083	13,092,318
	27,422	27,955,787
		10,122,396
		3,941,371
		103,855
113,667,943	5,945,941	158,346,682
4,698,588	659,658	11,722,346
	9,935,000	29,935,000
	11,804,468	13,587,089
130,571,393	71,031,472	605,271,104
(81,658,583)	(15,430,619)	(133,229,055)
	1,605,000	1,605,000
	(8,113)	(8,113)
	19,770,254	46,606,039
59,356,075	683,925	60,040,000
2,162,925		2,162,925
(24,136,509)	(2,311,638)	(46,606,039)
37,382,491	19,739,428	63,799,812
(44,276,092)	4,308,809	(69,429,243)
82,411,374	6,756,623	183,293,938
$ 38,135,282	$ 11,065,432	$ 113,864,695

EXHIBIT - F
MANATEE 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			$	(69,429,243)
Amounts reported for governmental activities in the statement of activities are different because:				
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.				
Capital Outlays	$	168,222,952		
Less Depreciation Expense		(21,382,086)		146,840,866
The undepreciated cost of capital assets disposed of during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.				(5,238,826)
Donated capital assets are reported as revenues on the statement of activities, however, they do not provide current financial resources and are not reported as revenues in the governmental funds.				74,590
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 amount by which proceeds exceeded payments in the current period.				
Certificates of Participation Issued	$	(60,040,000)		
State Board of Education Bonds Issued		(1,605,000)		
Principal Payments on Revenue Anticipation Note		20,000,000		
Principal Payments on Bonds		4,795,000		
Principal Payments on Certificates of Participation		5,140,000		(31,710,000)
Governmental funds report debt issuance costs as expenditures. However, in the statement of activities, these costs are amortized over the term of the debt.				472,243
Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.				
Amortization of Deferred Charges	$	(31,228)		
Amortization of Discount on Debt		(7,134)		
Amortization of Premium on Debt		(1,641,292)		
Change in Accrued Interest Payable		964,907		
Change in Early Retirement Payable		976,141		261,394
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.				(2,177,218)
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.				(3,895,350)
Change in Net Assets - Governmental Activities			$	35,198,456

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

EXHIBIT - G
MANATEE 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	$ 400,000	$ 455,488	$ 455,488	$
Federal Through State	1,409,988	1,681,036	903,477	(777,559)
State	133,265,577	126,458,731	126,629,064	170,333
Local	174,039,091	177,380,335	176,344,526	(1,035,809)
Total Revenues	309,114,656	305,975,590	304,332,555	(1,643,035)
Expenditures				
Current - Education:				
Instruction	213,061,383	202,670,067	201,654,633	1,015,434
Pupil Personnel Services	13,517,092	14,330,061	14,305,786	24,275
Instructional Media Services	4,654,614	4,604,965	4,549,203	55,762
Instruction and Curriculum Development	5,096,305	6,212,074	6,055,856	156,218
Instructional Staff Training Services	2,078,726	4,163,364	3,637,133	526,231
Instruction Related Technology	217,760	251,133	249,141	1,992
Board of Education	1,165,523	1,396,993	1,273,375	123,618
General Administration	1,676,145	1,625,320	1,483,202	142,118
School Administration	18,975,141	21,380,460	21,259,100	121,360
Facilities Acquisition and Construction	3,298,040	1,966,228	1,684,682	281,546
Fiscal Services	1,961,340	2,123,956	2,119,979	3,977
Central Services	10,573,107	11,377,721	10,960,404	417,317
Pupil Transportation Services	11,184,790	12,242,720	12,180,235	62,485
Operation of Plant	26,809,759	28,007,837	27,928,365	79,472
Maintenance of Plant	9,456,491	10,638,058	10,122,396	515,662
Administrative Technology	3,986,190	4,223,112	3,941,371	281,741
Community Services	1,918	108,968	103,855	5,113
Capital Outlay:				
Facilities Acquisition and Construction	60,471	152,304	147,592	4,712
Other Capital Outlay	2,365,629	2,487,035	1,330,441	1,156,594
Total Expenditures	330,140,424	329,962,376	324,986,749	4,975,627
Deficiency of Revenues Over Expenditures	(21,025,768)	(23,986,786)	(20,654,194)	3,332,592
Other Financing Sources				
Transfers In	17,693,396	17,859,472	17,343,738	(515,734)
Net Change in Fund Balances	(3,332,372)	(6,127,314)	(3,310,456)	2,816,858
Fund Balances, July 1, 2006	15,230,488	15,230,488	15,230,488	
Fund Balances, June 30, 2007	$ 11,898,116	$ 9,103,174	$ 11,920,032	$ 2,816,858

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

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

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Accounts Receivable	$ 1,947
Deposit Receivable	100,000
Due From Other Funds	9,666,159
TOTAL ASSETS	9,768,106
LIABILITIES	
Current Liabilities:	
Claims Payable	2,717,930
Deferred Revenue	51,734
Estimated Insurance Claims Payable	2,100,000
Total Current Liabilities	4,869,664
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	5,257,719
TOTAL LIABILITIES	10,127,383
NET ASSETS	
Unrestricted	(359,277)
TOTAL NET ASSETS	$ (359,277)

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

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

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	$ 32,783,283
OPERATING EXPENSES	
Salaries	105,699
Employee Benefits	27,854
Purchased Services	2,976,840
Other Expenses	451,496
Insurance Premiums	376,852
Insurance Claims	32,740,999
Total Operating Expenses	36,679,740
Operating Loss	(3,896,457)
NONOPERATING REVENUES	
Interest	1,107
Change in Net Assets	(3,895,350)
Total Net Assets, July 1, 2006	3,536,073
Total Net Assets, June 30, 2007	$ (359,277)

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

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

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Premiums	$	32,783,283
Cash Payments to Suppliers for Goods and Services		(3,155,119)
Cash Payments to Employees for Services		(133,554)
Cash Payments for Insurance Claims		(31,698,106)
Cash Payment for Premiums		(376,852)
Net Cash Used by Operating Activities		(2,580,348)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loans Made To Other Funds		(3,420,759)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments		6,000,000
Interest Income		1,107
Net Cash Provided by Investing Activities		6,001,107
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning		
Cash and Cash Equivalents, Ending	$	-0-
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(3,896,457)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		52,336
Increase in Accounts Payable		170,637
Increase in Deferred Revenue		50,243
Increase in Estimated Insurance Claims Payable		1,042,893
Total Adjustments		1,316,109
Net Cash Used by Operating Activities	$	(2,580,348)

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

EXHIBIT - K
MANATEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2007

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash	$	$ 3,700,361
Investments		111,262
Due From Other Funds	40,262	
TOTAL ASSETS	$ 40,262	$ 3,811,623
LIABILITIES		
Accounts Payable	$ 50	$
Internal Accounts Payable		3,811,623
TOTAL LIABILITIES	50	$ 3,811,623
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	$ 40,212	

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

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

	Private-Purpose Trust Fund
ADDITIONS	
Contributions:	
Gifts, Grants, and Bequests	$ 112,290
DEDUCTIONS	
Purchased Services	44,202
Other Expenses	67,118
Total Deductions	111,320
Change in Net Assets	970
Net Assets, July 1, 2006	39,242
Net Assets, June 30, 2007	$ 40,212

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

EXHIBIT – M
MANATEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Manatee County School District is considered part of the Florida system of public education. The governing body of the school district is the Manatee County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Manatee 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 Manatee School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Manatee County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

- Discretely Presented Component Units. The component units' columns in the basic financial statements, Exhibits A and B, include the financial data of the District's other component units. These component units include Manatee Education Foundation, Inc.; Manatee School of Arts and Sciences, Inc.; Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts; Developmental Center- Manatee, Inc., d/b/a Bradenton Charter School; Imagine Charter School at North Manatee; and Oasis Middle School, Inc.

  The Manatee Education Foundation, Inc. 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 make expenditures to or for the benefit of the District. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the organization for the fiscal year ended June 30, 2007. Separate financial statements for the Foundation are filed with the District.

  The Manatee School of Arts and Sciences, Inc.; Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts; Developmental Center- Manatee, Inc., d/b/a Bradenton Charter School; Imagine Charter School at North Manatee; and Oasis Middle School, Inc., are charter schools and separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33,

Florida Statutes. The charter schools operate under a charter approved by their sponsor, the Manatee County District School Board. The financial data reported on the accompanying financial statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2007. Separate financial statements for the charter schools are on file with the District.

- Related Organizations. Four charter schools, which include the PAL Academy Charter School, the Opportunity Charter School, the Manatee County Juvenile Justice Charter School, and the Richard Milburn Academy, operate under parent organizations and therefore, are not presented as discretely presented component units of the District. They operate under charters approved by their sponsor, the Manatee County District School Board.

➢ **Basis of Presentation**

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

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

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- Capital Projects - Sections 1011.14/1011.15, Florida Statutes Loan Fund - to account for the funds received through the issuance of short-term notes to fund projects authorized pursuant to the provisions of Sections 1011.14 and 1011.15, Florida Statutes.

- Capital Projects – Section 1011.71(2), Florida Statutes, Local Capital Improvement Tax 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 and renovation and remodeling projects.

- Capital Projects – Other Fund – to account for other capital financial resources such as Sales Tax Proceeds, Impact Fees, Sales Tax Revenue Bonds, etc.

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

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

- Private-Purpose Trust Fund – to account for financial fees and other moneys for which principal and income benefit individuals or private organizations.

- 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 athletic, class, and club activities.

➢ **Basis of Accounting**

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

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

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.

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

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

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

- **Deposits and Investments**

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

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

Investments made locally consist of money market mutual funds and qualified purchaser funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on either the moving average or the first-in, first-out-basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

For inventories maintained in the General Fund, an amount equal to 50 percent of inventory balances at year-end is reported as a reserve of fund balance. For the Special Revenue Fund – Food Service, 100 percent of the inventory balance is reserved at year-end.

- **Capital Assets**

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

Land and buildings acquired or constructed prior to July 1, 1967, are stated at estimated historical cost. Land acquired prior to July 1, 1967, is valued at 1974 assessed values (Manatee County Property Appraiser's report of assessed values dated August 23, 1975). Buildings acquired prior to July 1, 1967, are valued at their "depreciated value" (estimated replacement costs, multiplied by the percent of remaining estimated life) at June 30, 1978. Improvements other than buildings (parking lots, sidewalks, fences, etc.) include assets acquired subsequent to July 1, 1979.

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

Description	Estimated Lives
Improvements Other than Buildings	10 - 20 years
Buildings and Fixed Equipment	60 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

- **Long-Term Liabilities**

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

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 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.

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

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

- **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and

related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received allocations under the Classrooms for Kids and Class Size Reduction Construction Programs. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay, Classrooms for Kids, and Class Size Reduction Construction Program funds as deferred revenue until such time as an encumbrance authorization is received.

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

- **District Property Taxes**

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

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

The School Board adopted the 2006 tax levy on September 11, 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 Manatee County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

➢ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

➢ **Budgetary Information**

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

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

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

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

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

➢ **Deficit Net Assets in Individual Nonmajor Funds**

The following Internal Service Fund has a deficit net asset balance at June 30, 2007:

	Net Assets 7-1-06	Change in Net Assets Fiscal Year 2006-07	Net Assets 6-30-07
Group Health Self-Insurance Fund	$2,110,453	$(2,807,605)	$ (697,152)

The Group Health Self-Insurance Fund is administered by the District and provides health insurance benefits to participating employees and their eligible dependents. The premiums charged employees were increased in September 2007 and the Board's contribution will be increased effective January 2008.

3. INVESTMENTS

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

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	26 Day Average	$ 74,611,789
State Board of Administration Debt Service Accounts	6 Months	351,439
Money Market Mutual Funds	14 to 34 Days	30,485
Qualified Purchaser Funds	42 Days	1,050,281
Total Investments, Primary Government		$ 76,043,994

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits investments to a maximum of five years, unless specifically matched with cash flow needs as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

- Section 218.415(17), Florida Statutes, provides the authority to invest in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool and limits investments in money market funds to Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to obligations of United States Government Agencies and Instrumentalities, mutual funds, qualified purchaser funds, commercial paper, banker's acceptances, State and local government taxable and tax-exempt debt, repurchase agreements, interest bearing time deposit or savings accounts, as well as the Local Government Surplus Funds Trust Fund.

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

- As of June 30, 2007, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.

- The District's investments in Qualified Purchaser Funds and Money Market Mutual funds were both rated AAA by Moody's Investors Service and Fitch Ratings.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District investment policy addresses custodial credit risk in that all securities, with the exception of certificates of deposit, are held with a third party custodian; and all securities purchased by and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

Concentration of Credit Risk

- Investments at June 30, 2007, are comprised of 98 percent in the State Board of Administration investment pool, less than 1 percent in Qualified Purchaser Funds, and less than 1 percent in Money Market Mutual Funds.

- The District investment policy limits the amount the District may invest in any one issuer. Available funds may be invested at a maximum of 100 percent of available funds in the State Board of Administration Local Government Surplus Funds Trust Fund, 100 percent of available funds in United States Government Securities, 50 percent of available funds in obligations of United States Government Agencies and Instrumentalities with a maximum of 25 percent per issuer, 25 percent available funds in interest bearing time deposit or savings accounts with a maximum of 15 percent per issuer, 50 percent of available funds in individual repurchase agreements with a maximum of 25 percent per institution, 25 percent of available funds in commercial paper with a maximum of 10 percent per issuer, 25 percent of available funds in banker's acceptances with a maximum of 10 percent per issuer, 20 percent of available funds in state and/or local government taxable and/or tax-exempt debt, as well as 50 percent of available funds in mutual funds and/or qualified purchaser funds with a maximum of 50 percent per fund.

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	$ 35,620,811	$ 3,248,076	$ 6,000	$ 38,862,887
Construction in Progress	38,281,511	135,065,275	70,391,368	102,955,418
Total Capital Assets Not Being Depreciated	73,902,322	138,313,351	70,397,368	141,818,305
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	11,949,646	965,124	10,571	12,904,199
Buildings and Fixed Equipment	666,741,985	87,852,113	79,995	754,514,103
Furniture, Fixtures, and Equipment	78,900,819	6,834,586	21,837,867	63,897,538
Motor Vehicles	20,608,924	3,490,446	1,456,895	22,642,475
Audio Visual Materials and Computer Software	7,976,919	1,233,290	543,163	8,667,046
Total Capital Assets Being Depreciated	786,178,293	100,375,559	23,928,491	862,625,361
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,576,277	730,935	3,931	4,303,281
Buildings and Fixed Equipment	100,138,925	12,112,371	66,339	112,184,957
Furniture, Fixtures, and Equipment	58,950,000	5,773,384	16,681,016	48,042,368
Motor Vehicles	13,438,673	1,788,258	1,456,895	13,770,036
Audio Visual Materials and Computer Software	5,956,977	977,138	473,219	6,460,896
Total Accumulated Depreciation	182,060,852	21,382,086	18,681,400	184,761,538
Total Capital Assets Being Depreciated, Net	604,117,441	78,993,473	5,247,091	677,863,823
Governmental Activities Capital Assets, Net	$ 678,019,763	$ 217,306,824	$ 75,644,459	$ 819,682,128

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 1,166,400
Pupil Transportation Services	90,872
Instructional Media Services	15,488
Instruction and Curriculum Development Services	29,850
Instructional Staff Training Services	19,933
Board of Education	429
General Administration	208
School Administration	22,233
Facilities Acquisition and Construction	19,285,041
Fiscal Services	3,793
Food Services	67,386
Central Services	37,617
Operation of Plant	1,994
Maintenance of Plant	250,293
Unallocated	390,549
Total Depreciation Expense - Governmental Activities	$ 21,382,086

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 Note, Series 2006, issued October 19, 2006, with an interest rate of 4 percent, and a maturity date of October 11, 2007	$	$ 22,000,000	$	$ 22,000,000

Note proceeds were used to pay operating expenses of the District prior to receipt of budgeted revenues.

6. NOTE PAYABLE

The note payable is comprised of the following:

	Balance at 6-30-07
Revenue Anticipation Note, Series 2006	
$30,000,000 borrowed May 23, 2006, under provisions of Section 1011.14, Florida Statutes, with a variable interest rate equal to the sum of 63.7 percent of the LIBOR rate plus 55 basis points. The Board paid $20,000,000 in the 2006-07 fiscal year. The Board extended the note on May 22, 2007, in the amount of $10,000,000. The current six month interest rate is 3.97 percent. Final maturity is May 21, 2008, subject to three additional one-year extensions. The proceeds were used to provide cash flow and budget capacity for the District's capital program. The Board intends to pay the remaining $10,000,000 over the subsequent four fiscal years. This note is pledged by ad valorem taxes.	$ 10,000,000

7. CERTIFICATES OF PARTICIPATION

The District entered into a master financing arrangement on July 9, 1996, which was characterized as a lease-purchase agreement, with the Manatee School Board Leasing Corporation whereby the District secured financing of various educational facilities in the total amount of $237,175,000. Except for the Qualified Zone Academy Bond (QZAB) Certificates which are discussed below, the financing was accomplished through the issuance of Certificates of Participation, Series 1996 for $82,000,000; Series 1998 for $65,960,000; Series 2005A for $29,175,000; and Series 2007 for $60,040,000, to be repaid from the proceeds of rents paid by the District.

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

	Amount Issued	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Certificates of Participation				
Series 1996 (Refunded by Series 1998)	$ 82,000,000	$		2007
Series 1998, Refunding	65,960,000	62,490,000	4.30 - 4.95	2021
Series 2004, QZAB	1,306,000	1,306,000	(1)	2018
Series 2005A	29,175,000	25,110,000	2.37 - 5.00	2017
Series 2005, QZAB	1,327,455	1,327,455	(1)	2021
Series, 2007	60,040,000	60,040,000	3.6 - 5.0	2027
Total Certificates of Participation	$ 239,808,455	$ 150,273,455		

Note (1): Interest on QZAB certificates is paid by the Federal government to the purchasers of the certificates in the form of tax credits.

As a condition of the financing arrangement, the District has given a ground leases on District property to the Manatee School Board Leasing Corporation, with a rental fee of $10 per year for each of the Series 1998, 2005A, and 2007 Certificates. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District through a master-lease purchase agreement. The master lease-purchase agreement is automatically renewable each fiscal year-end through June 30, 2027. If the District fails to renew the lease and to provide for the rent payments, the District may be required to surrender the sites included under the ground lease agreements, together with the improvements thereon, to the Trustee for the benefit of the securers of the Certificates. The District has the following ground leases at June 30, 2007:

Certificates of Participation	Refunded By	Ground Lease	
		Commencement Date	Term Date
Series 1996	Series 1998	June 1, 1996	July 1, 2021
Series 1998, Refunding		June 1, 1996	June 30, 2031
Series 2004, QZAB		July 22, 2004	July 21, 2018
Series 2005A		March 1, 2005	July 1, 2017
Series 2005, QZAB		December 20, 2005	December 20, 2021
Series, 2007		May 1, 2007	July 1, 2032

On July 22, 2004, and December 20, 2005, the District entered into financing arrangements (School Board of Manatee County, Florida Master Lease Program, Series 2004-QZAB and Series 2005-QZAB, respectively) characterized as lease-purchase agreements with the Manatee County School Board Leasing Corporation. These agreements were structured to qualify as "Qualified Zone Academy Bonds" pursuant to Section 1397E of the Internal Revenue Code, as amended. There is no interest cost to the District for borrowing moneys under this program. Interest on the Series 2004-QZAB and Series 2005-QZAB is paid by the Federal government in the form of annual tax credits to the banks or other eligible financial institutions that hold the certificates. Mandatory annual deposits, for the Series 2004-QZAB, of $78,455 are to be made to a sinking fund account with a paying agent beginning July 21, 2005, and ending July 21, 2018. Mandatory annual deposits, for the Series 2005-QZAB, of $67,616 are to be made to a sinking fund account with a paying agent beginning December 20, 2006, and ending December 20, 2021. Such deposits are to be held and accumulated by the paying agent and applied solely to the payments due under the leases on the final rental payment date.

The District properties included in the various ground leases are as follows:

Series 1998 Certificates of Participation

Bayshore High School

Carlos Haile Middle School

Lakewood Ranch High School

Series 2005A Certificates of Participation

Anna Maria Elementary School

King Middle School

Series 2007 Certificates of Participation

Annie Lucy Williams Elementary School

King Middle School

Palmetto Elementary School

Manatee Technical Institute – Public Safety Academy

Manatee Technical Institute – Fire Academy

Series 2004-QZAB Certificates of Participation

Daughtrey Elementary School

Manatee Elementary School

Series 2005-QZAB Certificates of Participation

Manatee Elementary School

Orange Ridge/Bullock Elementary School

Oneco Elementary School

Palm View Elementary School

The lease payments are payable by the District, semiannually, on July 1 and January 1. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2008	$ 14,134,215	$ 7,335,000	$ 6,799,215
2009	14,134,113	7,620,000	6,514,113
2010	14,136,088	7,920,000	6,216,088
2011	14,138,876	8,235,000	5,903,876
2012	14,135,644	8,565,000	5,570,644
2013-2017	70,690,905	49,275,000	21,415,905
2018-2022	51,201,330	40,933,455	10,267,875
2023-2027	23,547,750	20,390,000	3,157,750
Total Minimum Lease Payments	$ 216,118,921	150,273,455	$ 65,845,466
Unamortized Premium		3,119,200	
Total Certificates of Participation		$ 153,392,655	

8. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Issued Amount
State School Bonds:				
Series 1998A	$ 595,000	4.5	2008	$ 12,690,000
Series 1999A	900,000	4.00 - 4.75	2019	1,735,000
Series 2000A	45,000	5.0 - 6.0	2010	280,000
Series 2002A	855,000	3.0 - 5.0	2022	1,010,000
Series 2003A	990,000	3.0 - 5.0	2023	1,150,000
Series 2005B, Refunding	8,165,000	5.0	2020	8,205,000
Series 2006A	1,555,000	4.0 - 5.0	2026	1,605,000
District Revenue Bonds:				
Series 2003, Sales Tax	110,340,000	2.25 - 5.00	2018	112,340,000
Series 2005, Sales Tax	28,000,000	3.5 - 5.0	2018	30,000,000
Subtotal	$ 151,445,000			
Add: Unamortized Premium on Debt	4,768,668			
Less: Unamortized Discount on Debt	(16,888)			
Less: Deferred Cost of Refunding	(390,347)			
Total Bonds Payable	$ 155,806,433			

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.

- **District Revenue Bonds**

  The Sales Tax Revenue Bonds, Series 2003, are authorized by the Constitution and Laws of Florida, including particularly Chapter 1001, Florida Statutes, Chapter 212, Florida Statutes, and other applicable provisions of law, and the Sales Tax Revenue Bond Resolution authorizing the issuance of the bonds duly adopted by the Board on February 18, 2003. The issuance of the bonds was approved by referendum of the voters of Manatee County duly held on May 21, 2002. The bonds were validated and confirmed by a final judgment of the Twelfth Judicial Circuit in and for Manatee County, Florida, entered on June 5, 2003. The bonds are secured by a prior lien upon and pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes.

  The Sales Tax Revenue Bonds, Series 2005, are authorized by the Constitution and Laws of Florida, including particularly Chapter 1001, Florida Statutes, Chapter 212, Florida Statutes, and other applicable provisions of law, and the Sales Tax Revenue Bond Resolution authorizing the issuance of the bonds duly adopted by the Board on February 18, 2003, as supplemented by a Resolution duly adopted by the Board on November 14, 2005. The issuance of the bonds was approved by referendum of the voters of Manatee County duly held on May 21, 2002. The bonds were validated and confirmed by a final judgment of the Twelfth Judicial Circuit in and for Manatee County, Florida, entered on June 5, 2003. The bonds are secured by a prior lien upon and pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2008	$ 1,451,981	$ 830,000	$ 621,981
2009	1,435,606	850,000	585,606
2010	1,435,150	890,000	545,150
2011	1,443,063	940,000	503,063
2012	1,433,463	975,000	458,463
2013-2017	7,166,819	5,620,000	1,546,819
2018-2022	2,768,100	2,395,000	373,100
2023-2026	670,175	605,000	65,175
Total State School Bonds	17,804,357	13,105,000	4,699,357
District Revenue Bonds:			
2008	16,022,503	10,335,000	5,687,503
2009	15,928,865	10,610,000	5,318,865
2010	15,977,977	11,070,000	4,907,977
2011	15,962,740	11,435,000	4,527,740
2012	15,917,128	11,835,000	4,082,128
2013-2017	79,247,446	67,615,000	11,632,446
2018	15,801,177	15,440,000	361,177
Total District Revenue Bonds	174,857,836	138,340,000	36,517,836
Total	$ 192,662,193	$ 151,445,000	$ 41,217,193

9. DEFEASED DEBT

In August 2005, portions of the State School Bonds, Series 1998A and Series 2000A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds, Series 2005B, in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2007, outstanding State School Bonds, Series 1998A and Series 2000A, totaling $8,395,000 and $125,000, respectively are considered defeased in substance.

10. 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					
Notes Payable	$ 30,000,000	$	$ 20,000,000	$ 10,000,000	$ 10,000,000
Bonds Payable	159,398,344	1,596,886	5,188,797	155,806,433	11,165,000
Certificates of Participation Payable	96,425,358	62,202,925	5,235,628	153,392,655	7,335,000
Estimated Early Retirement Payable	1,901,414		976,141	925,273	307,586
Compensated Absences Payable	23,354,428	4,113,819	1,936,601	25,531,646	1,250,000
Total Governmental Activities	$ 311,079,544	$ 67,913,630	$ 33,337,167	$ 345,656,007	$ 30,057,586

The amounts above for bonds and certificates of participation include unamortized premiums, discounts, and deferred cost of refunding.

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

11. RESERVE FOR ENCUMBRANCES

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

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

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 6,358,791	$
Capital Projects:		
Section 1011.14/1011.15, Florida Statutes, Loan		15,105,143
Section 1011.71(2), Florida Statutes, Local Capital Improvement Tax	46,102,085	
Other		36,556,688
Nonmajor Governmental	37,106	10,542,572
Internal Service	9,666,159	
Fiduciary	40,262	
Total	$ 62,204,403	$ 62,204,403

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the funding providing the advancement. All amounts are expected to be repaid within the 2007-08 fiscal year.

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major Funds:		
General	$ 17,343,738	$
Capital Projects:		
Section 1011.71(2), Florida Statutes, Local Capital Improvement Tax		20,157,892
Section 1011.14/1011.15, Florida Statutes, Loan	9,492,047	
Other		24,136,509
Nonmajor Governmental	19,770,254	2,311,638
Total	$ 46,606,039	$ 46,606,039

The transfers into the General Fund from the Capital Projects – Other Fund, Capital Projects – Public Education Capital Outlay Fund, and Capital Projects – Section 1011.71(2), Florida Statutes, Local Capital Improvement Tax Fund were for the purpose of reimbursing the General Fund for maintenance and repair costs.

The other transfers from Capital Projects – Other Fund and Capital Projects – Section 1011.71(2), Florida Statutes, Local Capital Improvement Tax Fund to the Debt Service – Other Debt Service Fund

and Capital Projects - Section 1011.14/1011.15, Florida Statutes, Loan Fund were made for debt service payments.

13. 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	$ 66,329,251
Categorical Educational Programs:	
Class Size Reduction/Operating Funds	32,224,604
Transportation	7,087,671
Instructional Materials	4,005,438
School Recognition Funds	2,327,456
Excellent Teaching Program	1,520,300
Voluntary Prekindergarten	944,568
Florida Teachers Lead Program	728,784
Other	2,239,825
Gross Reciepts Tax (Public Education Capital Outlay)	9,306,935
Workforce Development Program	7,166,296
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,674,748
Discretionary Lottery Funds	1,639,289
Charter School Capital Outlay	1,584,291
Food Service Supplement	253,209
Miscellaneous	1,470,687
Total	$ 140,503,352

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

14. PROPERTY TAXES

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.955	$ 151,712,328
Basic Discretionary Local Effort	0.510	15,615,195
Supplemental Discretionary Local Effort	0.149	4,562,087
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	2.000	61,236,055
Total	7.614	$ 233,125,665

15. STATE RETIREMENT PROGRAM

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

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

A Deferred Retirement Option Program (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, Senior Management Service	0.00	13.12
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 0.05 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 for the fiscal years ending June 30, 2005, June 30, 2006, and June 30, 2007, totaled $12,798,465, $15,771,606, and $19,997,035, 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, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 679 District participants in the PEORP during the 2006-07 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2007, totaled $2,034,413.

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.

16. SPECIAL TERMINATION BENEFITS

On March 20, 1995, the Board approved the Manatee County School Board One-time Only Retirement Incentive Plan (MOTORIP). This Plan provided that eligible employees who elected to retire by June 30, 1995, be paid special termination benefits. MOTORIP was offered to members of the instructional and classified bargaining units and administrative personnel who signed an agreement to participate in the Plan, who agreed to retire from employment under the provisions of the Florida Retirement System (FRS), and who met certain age and length of service requirements. One hundred fifty-nine (159) employees elected to participate in the Plan. Special termination benefits included payment for 100 percent of accrued sick and vacation leave, either a bonus based on 25 percent of the retiree's final year's compensation or an amount to compensate the employee for the FRS early retirement penalty, single coverage for health insurance, and a specified amount of life insurance. The Plan provided that the accrued sick and vacation leave, bonus pay, and the FRS early retirement penalty be paid out to the retirees and to a third-party administrator over a period of five years. The premiums for health insurance are to be paid for a period of eight years, while the premiums for the life insurance are to be paid out over the respective retiree's life. The District reported no expenditures during the 2006-07 fiscal year for the cash payments of special termination benefits. However, the District reported a liability of $178,878 in the Statement of Net Assets representing the present value of the estimated future payments under the Plan.

On November 9, 1998, the School Board approved the Early Retirement Incentive Plan (ERIP). This Plan provided that eligible employees who elected to retire by June 30, 1999, be paid special termination benefits. ERIP was offered to members of the instructional bargaining units, classified bargaining units, and nonbargaining personnel who signed an agreement to participate in the Plan, and agreed to retire from employment under the provision of the Florida Retirement System (FRS). The eligible employees had to meet certain age and length of service requirements. One hundred nine (109) employees elected to participate under the retirement components of the Plan. The Plan also provided for a fourth component, enrichment leave. Eligibility for this leave included three (3) years of experience in the District. Participants are paid $250 per month, may maintain their health insurance by paying the same premium they paid as employees, and receive credit for each year they take the enrichment leave. As of June 30, 2007, all expenditures related to the Enrichment Leave Program were fully satisfied. As of June 30, 2000, the School Board had eliminated provisions of Enrichment Leave from the benefits eligible to employees. The Early Retirement Incentive Plan (ERIP) approved by the School Board on November 9, 1998, provided an open enrollment period of March 1, 2000, through June 30, 2000, for those employees wishing to retire under the Florida Retirement System between June 30, 2000, and

December 31, 2000. During the 2000-01 fiscal year, 128 employees had retired from the School Board as a result of this offer.

The District reported expenditures of $976,149 during the 2006-07 fiscal year for the cash payment of special termination benefits. The District also reported a liability of $746,395 in the Statement of Net Assets representing the present value of the estimated future payments under the Plan.

17. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Blanche H. Daughtrey Elementary School:			
Architect	$ 988,392.00	$ 896,264.00	$ 92,128.00
Contractor	19,358,407.00	12,626,978.00	6,731,429.00
Manatee Technical Institute - Law and Fire Academies:			
Architect	5,012,260.00	3,286,813.00	1,725,447.00
Contractor	12,806,440.00	7,250,872.00	5,555,568.00
Sea Breeze Elementary School:			
Architect	581,085.00	478,813.00	102,272.00
Contractor	5,669,155.00	3,126,897.00	2,542,258.00
Manatee High School Classroom Addition:			
Architect	449,750.00	393,975.00	55,775.00
Contractor	6,963,663.00	3,489,434.00	3,474,229.00
Buffalo Creek Middle School:			
Architect	181,950.00	179,344.00	2,606.00
Contractor	18,006,885.00	15,135,127.00	2,871,758.00
Manatee Elementary School:			
Architect	653,752.00	561,060.00	92,692.00
Contractor	8,621,869.00	5,621,869.00	3,000,000.00
Bayshore High School Classroom Addition:			
Architect	300,825.00	263,031.00	37,794.00
Contractor	5,033,678.00	2,644,389.00	2,389,289.00
Jessie P. Miller Elementary School:			
Architect	98,800.00	35,050.00	63,750.00
Contractor	15,383,987.00	11,959,242.00	3,424,745.00
Annie Lucy Williams Elementary School:			
Architect	746,796.00	696,915.00	49,881.00
Contractor	16,504,685.00	14,586,445.00	1,918,240.00
B.D. Gullet Elementary School:			
Architect	740,796.00	687,079.00	53,717.00
Contractor	17,203,493.00	15,452,944.00	1,750,549.00
Palma Sola Elementary School:			
Architect	725,850.00	707,177.00	18,673.00
Contractor	10,274,367.00	8,824,237.00	1,450,130.00
Blackburn Elementary School Addition:			
Architect	212,980.00	198,207.00	14,773.00
Contractor	7,325,411.00	5,939,063.00	1,386,348.00
Total	$ 153,845,276.00	$ 115,041,225.00	$ 38,804,051.00

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the self-insured retention amount (currently $250,000 for property excluding wind/hail and flood damages with self insured retention amount of 5 percent of replacement value per occurrence for wind/hail and flood damages, and $1,000,000 for automobile and general liability). The District has contracted with an insurance administrator, Gallagher Bassett Services, Inc., to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A third-party administrator, Blue Cross Blue Shield of Florida, Inc., administers the District's health and hospitalization insurance program. The District pays the administrator a monthly amount which includes reimbursement for the total claims paid by the administrator and an administrative fee of $48.08 and $39.37 per employee for the Blue Choice and Blue Options plans, respectively. The payment agreement with Blue Cross Blue Shield of Florida provides for liability limits based on fixed rates and average numbers of insured employees and dependents. There is a $400,000 specific excess loss deductible and a specific lifetime maximum of $1,000,000.

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

A liability in the amount of $7,357,719 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2007. The estimated insurance claims payable for the workers' compensation/property/liability programs ($5,257,719) was actuarially determined using the discounted method with a confidence level of 50 percent. The discounted method recognized the expected rate of return on investments held in the Internal Service Fund using a discount rate of 4 percent. The estimated insurance claims payable for the self-insured health insurance program ($2,100,000) was not discounted and was calculated according to Actuarial Standards of Practice No. 5.

The following schedule represents the changes in claims liability for the past two 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
2005-06	$ 8,637,373	$25,801,526	$(28,124,073)	$ 6,314,826
2006-07	6,314,826	32,740,999	(31,698,106)	7,357,719

19. INTERNAL SERVICE FUNDS

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

	Total	Group Health Insurance	Workers' Compensation, Property, and Liability Insurance
Total Assets	$ 9,768,106	$ 4,172,512	$ 5,595,594
Liabilities and Net Assets:			
Accounts Payable	$ 2,717,930	$ 2,717,930	$
Deferred Revenue	51,734	51,734	
Estimated Insurance Claims Payable	7,357,719	2,100,000	5,257,719
Net Assets:			
Unrestricted Net Assets (Deficit)	(359,277)	(697,152)	337,875
Total Liabilities and Net Assets	$ 9,768,106	$ 4,172,512	$ 5,595,594
Revenues:			
Premium Contributions	$ 32,783,283	$ 30,472,446	$ 2,310,837
Interest Income	1,107	1,107	
Total Revenues	32,784,390	30,473,553	2,310,837
Total Expenses	36,679,740	33,281,158	3,398,582
Decrease in Net Assets	$ (3,895,350)	$ (2,807,605)	$ (1,087,745)

20. SUBSEQUENT EVENTS

As discussed in Note 3, at June 30, 2007, the Manatee County District School Board had $74,611,789 invested in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by

the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the Manatee County District School Board and the State Board of Administration. The Manatee County District School Board had $13,023,322 invested in the Pool as of January 18, 2008.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal accounts and the aggregate discretely presented component units, as described in our report on the Manatee 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 deficiency described in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report, Finding No. 1, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not 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 discussed in the ***FINDINGS AND RECOMMENDATIONS*** and in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

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

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

Respectfully submitted,

David W. Martin, CPA
January 18, 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
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Legislative Auditing Committee

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

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 through 6.

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. We consider the deficiencies in internal control over compliance described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 through 4, to be significant deficiencies.

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

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

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

Respectfully submitted,

David W. Martin, CPA
January 18, 2008

MANATEE 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)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550(2)	None	$ 900,148
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	1,900,533
National School Lunch Program	10.555	300	6,547,018
Summer Food Service Program for Children	10.559	323	248,124
Total Child Nutrition Cluster			8,695,675
Total United States Department of Agriculture			9,595,823
United States Department of Housing and Urban Development:			
Indirect:			
Manatee County Board of County Commissioners:			
Community Development Block Grants/Entitlement Grants	14.218	None	9,018
United States Department of Labor:			
Indirect:			
Florida Department of Education:			
National Farmworker Jobs Program	17.264	405	236,611
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	9,418
Federal Work-Study Program	84.033	N/A	34,840
Federal Pell Grant Program	84.063	N/A	824,140
Total Student Financial Assistance Cluster			868,398
Fund for the Improvement of Education	84.215	N/A	778,359
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	209,635
Total Direct			1,856,392
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	261, 262, 263	9,781,664
Special Education - Preschool Grants	84.173	267	364,224
Total Special Education Cluster			10,145,888
Adult Education - State Grant Program	84.002	191	387,849
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	8,424,398
Migrant Education - State Grant Program	84.011	217	1,112,197
Vocational Education - Basic Grants to States	84.048	151	578,028
Safe and Drug-Free Schools and Communities - National Programs	84.184	107	10,093
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	168,197
Education for Homeless Children and Youth	84.196	127	85,000
Tech-Prep Education	84.243	157	118,195
Charter Schools	84.282	298	37,508
Twenty-First Century Community Learning Centers	84.287	244	668,969
State Grants for Innovative Programs	84.298	113	141,056
Education Technology State Grants	84.318	121	360,617
Comprehensive School Reform Demonstration	84.332	128	41,937
Voluntary Public School Choice	84.361	299	132,246
English Language Acquisition Grants	84.365	102	649,315
Improving Teacher Quality State Grants	84.367	224	1,756,813
Hurricane Education Recovery	84.938	None	24,270
Total Indirect			24,842,576
Total United States Department of Education			26,698,968
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	232	20,102
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	17,378
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1481-DR-FL	6,778
Total United States Department of Homeland Security			24,156
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	455,488
Total Expenditures of Federal Awards			$ 37,040,166

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.

MANATEE 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 Manatee County District School Board for the fiscal year ended June 30, 2007:

- An unqualified opinion was issued on the financial statements.
- A certain matter involving the internal control and its operation was considered a significant deficiency, though the significant deficiency was not considered a material weakness.
- No noncompliance was reported which is material to the financial statements.
- Significant deficiencies in internal control over major Federal programs were reported, none of which were considered material weaknesses.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.550), and Summer Food Service Program for Children (CFDA No. 10.559)]; Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; Improving Teacher Quality State Grants (CFDA No. 84.367); and Student Financial Assistance Cluster [Federal Supplemental Education Opportunity Grants (CFDA No. 84.007), Federal Work-Study Program (CFDA No. 84.033), and Federal Pell Grant (CFDA No. 84.063)].
- The dollar threshold used to distinguish between Type A and Type B Federal programs was $ 1,111,205.
- The low risk entity threshold was applied.

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

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Finding Type: Significant Deficiency and Noncompliance
Questioned Costs: $12,289

Allowable Costs/Cost Principles – Services to Charter Schools. Title 20, Section 7221e, United States Code, requires the District to provide Special Education program funds to its charter school that opened for the first time in the same manner as other schools in the District. Measures should be taken to ensure that every charter school receives the required funding not later than five months after the charter school first opens based on reasonable estimates of projected enrollment. If a District allocates more or fewer funds to a charter school than the amount for which the charter school is eligible, based on actual enrollment or eligibility data, the District must make appropriate adjustments to the amount of funds allocated to the charter school on or before the date the District allocates funds to its other schools for the succeeding academic year.

The District sponsored two new charter schools, Oasis Middle School and Imagine Charter Schools, during the 2006-07 fiscal year, and the terms of charter school contracts require the District to fund Special Education program services at the schools based on documentation that the services were provided to eligible students. District staff prepared individual educational plans (IEPs) for charter school students, provided consulting services for the students, and indicated that the charter schools paid for special education services required by the IEPs and re-evaluations. However, although requested, no documentation was provided to evidence the amount expended for the services by the charter schools and that students at the charter schools were funded for program services on an equitable basis with other students in District schools.

Based on the enrollment of students with disabilities at the two charter schools, the District was responsible for funding costs, totaling approximately $12,289, for program services to the schools. Inquiry with District staff and review of records disclosed that program funding for the two new charter schools was not provided since the District allocates funding based on prior-year student counts, and the schools did not have prior-year data. Consequently, this amount ($12,289) represents questioned costs subject to disallowance by the grantor.

Recommendation: The District should establish procedures to ensure that students at new charter schools receive Special Education program services on an equitable basis with other students at District schools. Further, the District should document to the grantor (Florida Department of Education) the allowability of questioned costs, totaling $12,289.

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Finding Type: Significant Deficiency and Noncompliance
Questioned Costs: $15,712

Allowable Costs/Cost Principles – Salaries and Benefit Charges. Enhancements were needed in District procedures for maintaining documentation to support the allocation of salaries and benefits to the Special Education program. The United States Office of Management and Budget *Circular A-87*, provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semi-annually, that the employees worked solely on that program for the period of the certification. Also, the United States Department of Education approved a reporting system, for grants received by the Florida Department of Education (FDOE), which provides that, where employees are expected to work on multiple activities or cost objectives, estimated percentages of employees' salaries can be assigned to accounts and, if necessary, adjusted based on actual personnel activity reports prepared for the months of October, February, and May. These reports must be signed by the employee and initialed by the immediate supervisor, and actual activities disclosed on these reports must be reconciled to amounts charged to Federal programs to ensure that Federal funding does not exceed actual effort devoted to the Federal programs.

Our review of supporting documentation for salary and benefit costs, totaling approximately $1.2 million, for 27 employees paid from Special Education program funds disclosed the following:

- We noted 13 employees maintained personnel activity reports which documented that approximately 100 percent of their work time was devoted to the Special Education program for the months of October 2006 and February and May 2007. However, the employees were required to document semi-annual certifications of their Federal activities for six month periods, not only three months. Additionally, in response to our inquiry, one employee indicated that approximately 80 percent of the employee's work time was devoted to the program, contrary to the information documented on the employee's personnel activity reports. As a result, approximately 20 percent of the employee's salary and benefit costs, totaling $8,416, represent questioned costs subject to disallowance by the grantor.
- The District charged multiple activities or cost objectives for 14 employees who generally maintained the required personnel activity reports to support the salary and benefit charges to the program. However, based on the personnel activity reports and inquiry with District staff, we noted that one employee only spent approximately 10 percent of their time on the program although 50 percent of their salary and benefits was program funded. Consequently, salary and benefit costs, totaling $7,296, represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure that charges to the Special Education program are correct. Additionally, the District should document to the grantor (Florida Department of Education) the allowability of questioned costs, totaling $15,712, or restore these moneys to the Special Education program.

Federal Awards Finding No. 3:
Federal Agency: United States Department of Education
Award Number: P007A068357, P033A0683578, P063P052752
Program: Student Financial Assistance Cluster (CFDA Nos. 84.007, 84.033, and 84.063)
Finding Type: Significant Deficiency and Noncompliance
Questioned Costs: None

Special Tests and Provisions. The District made disbursements, totaling approximately $868,000, from Federal Student Financial Assistance (SFA) funds for the Manatee Technical Institute (MTI) during the 2006-07 fiscal year. The District is responsible for administering the SFA funds pursuant to Title 34, Section 668.16, Code of Federal Regulations (CFR). Our review disclosed significant control deficiencies and noncompliance issues related to SFA funds, as discussed below:

Segregation of Duties

The CFR requires, in part, that the District provide for adequate internal controls, including separating the functions of authorizing payments and disbursing funds. MTI financial aid office personnel are responsible for authorizing SFA payments and the MTI bookkeeper's office distributes the checks to eligible participants. However, the financial aid office personnel obtain and review the checks from the District's finance office prior to providing the checks to the bookkeeper's office for delivery to students. Authorizing SFA payments and having access to the payments increase the risk that misappropriations, should they occur, may not be detected in a timely manner.

Satisfactory Academic Progress

Title 34, Section 690.75, CFR, requires that for each payment period, an institution may pay SFA Pell funds to an eligible student only after it determines that the student is qualified and an eligible student pursuant to Title 34, Part 668, Subpart C, CFR. It further requires that students enrolled in clock hour programs complete the payment period for which the student has been paid by the Pell program. Title 34, Section 668.32(f), CFR, states that a student is eligible to receive assistance if the student is maintaining satisfactory academic progress in accordance with the institution's published standards of satisfactory progress. The District's published standards of progress requires, in part, that students achieve at least 80 percent cumulative attendance on at least one evaluation by the midpoint of the program or the midpoint of the academic year, whichever is shorter.

Our review of Pell SFA recipients disclosed that the District was required to verify continued eligibility, including determining that students were meeting the standards of progress requirements, for 272 students. Audit tests of 32 students disclosed that Pell grants were disbursed or credited to student accounts for 13 students that did not initially meet the attendance requirements. Twelve of the students subsequently met the requirements, and were eligible for the aid; however, the District disbursed $675 of Pell funds to one of the students, who withdrew prior to meeting the requirements and was ineligible for the aid. Subsequent to audit inquiry, the District returned the $675 of Pell funds to the United States Department of Education.

Late Disbursements

Title 34, Sections 668.4 and 690.75, CFR, require Federal Pell grant disbursements within established payment periods. Our test of 32 students disclosed that the District did not timely disburse Federal Pell grant awards, totaling $2,185, for two students prior to the end of the students' payment periods. Although the students were fully eligible for Federal Pell grant assistance during the program periods, the payments were disbursed 12 and 78 days, respectively, after the students completed their payment periods. As such, the grant provided no benefit to the two recipients during the program periods, contrary to Federal regulations.

Post-Withdrawal Disbursements

Title 34, Section 668.22, CFR, requires institutions to determine whether Pell grant funds were earned by students who withdrew. For those students who are determined to have earned the Pell grant and Federal Supplemental Educational Opportunity Grants (FSEOG) funds less than the amount disbursed to the student at the time of withdrawal, the difference must be returned to the SFA program. For those students who are determined to have earned Pell grant and FSEOG funds in excess of funds disbursed to the student at the time of withdrawal, the difference must be treated as post-withdrawal disbursements. The institution must offer to the student any amount of post-withdrawal disbursement that is not credited to the student's account.

Our test of 10 students who withdrew from MTI during the 2006-07 fiscal year disclosed that returns of SFA funds were incorrectly calculated for four students, as follows:

- The District calculated a Pell award using the incorrect amount of institutional charges and the incorrect number of scheduled program hours in computing one student's disbursement. The student subsequently re-enrolled and again withdrew from the program. The institution again incorrectly calculated the post-withdrawal disbursement, and the incorrect calculation resulted in an under award of $164.21 to the student. Subsequent to our audit inquiry, the District credited the student's account $75.62 and has indicated that it will credit the balance ($88.59) should the student re-enroll.
- The District calculated a Pell award using the incorrect amount of institutional charges and the incorrect number of scheduled program hours in computing one student's disbursement, resulting in the District incorrectly calculating that the student did not have to repay any portion of the award. Based on our calculations, the student should have repaid $71.14 to the United States Department of Education (USDOE). Subsequently to our inquiry, the District took corrective action by drawing down $71.14 less funds from USDOE.
- One student was awarded and accepted a $150 FSEOG grant within the established acceptance deadline; however, the institution did not disburse the award. The student subsequently withdrew after attending scheduled clock hours in excess of the amount needed to have earned the award. As of the end of audit field work, these funds had not yet been disbursed to the student.

Recommendation: The District should enhance its procedures to ensure that personnel who authorize SFA payments are not provided access to the related checks; that the standard of progress requirements are met prior to disbursing SFA Pell awards; that SFA Pell grant payments are made within the applicable payment periods; and to correctly calculate post-withdrawal disbursements and timely disburse those funds to students.

Federal Awards Finding No. 4:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555 and 10.559); Title I – Grants to Local Educational Agencies (CFDA No. 84.010); and Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Finding Type: Significant Deficiency and Noncompliance
Questioned Costs: $239,664 (Child Nutrition Cluster: $188,826; Special Education Cluster: $21,161; Title I Grants to Local Educational Agencies: $13,418; and other Federal programs: $16,259)

Allowable Costs/Cost Principles - Workers Compensation Cost Allocation. The United States Office of Management and Budget *Circular A-87* provides that cost allocation plans be supported by formal accounting and other records that support the propriety of the costs assigned to Federal awards. Further, cost principles must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. Our review disclosed that workers' compensation insurance costs were not allocated in a consistent manner to both Federal and non-Federal activities. The District allocated workers' compensation costs to its Special Revenue Fund (SRF) - Food Service and SRF – Other Funds at higher rates than those charged to the District's General Fund as follows:

Fund	Salaries	Percentage (Rounded)	Actual Workers' Compensation Cost Charged
General	$ 201,769,880	0.009%	$ 1,868,583
SRF - Food Service	4,832,063	0.050%	239,316
SRF - Other	14,554,565	0.014%	202,915
Total	$ 221,156,508		$ 2,310,814

Fund	Salaries	Percentage (Rounded) (1)	Amount Workers' Compensation that Should be Charged
General	$ 201,769,880	0.010%	$ 2,108,248
SRF - Food Service	4,832,063	0.010%	50,489
SRF - Other	14,554,565	0.010%	152,077
Total	$ 221,156,508		$ 2,310,814

Fund	Questioned Cost (Under)/ Over
General	$ (239,664)
SRF - Food Service	$ 188,826 (2)
SRF - Other	$ 50,838 (3)

(1) Total actual workers' compensation cost/Total Salaries ($221,156,508/$2,310,814)
(2) Represents overcharges to Child Nutrition Cluster program.
(3) Represents overcharges to Special Education program ($21,161), Title I Program ($13,418) and various other Federal programs ($16,259).

Although requested, documentation was not provided to evidence support for charging higher rates to the SRF-Food Service Fund and SRF-Other Funds. A similar finding was noted in Finding No. 2006-03 for the prior audit for the 2005-06 fiscal year.

Recommendation: The District should document to the grantor (Florida Department of Education) the allowability of the questioned costs totaling $239,664 or these moneys should be restored to the particular programs. The District should also develop a worker's compensation cost allocation plan and apply the cost consistently and uniformly to both Federal and non-Federal governmental programs.

Federal Awards Finding No. 5:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA No. 84.027 and 84.173)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Procurement – Contract Administration. Improvements were needed in District procedures to provide written contracts and the required contractual provisions for expenditures funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- For contracts in excess of $10,000, a provision for termination for cause and convenience by the grantee or subgrantee, including the manner by which it will be effected and the basis of settlement.
- Notice of requirements and regulations pertaining to reporting.

Our review of Special Education program expenditures disclosed that the District entered into two contracts, totaling approximately $53,000, that excluded the above required language. Failure to include the required contract provisions could limit the District's actions if disputes arose with the contractor, and could result in disallowance of grant expenditures by the grantor.

Recommendation: The District should ensure that all future contracts involving Federal funds contain the required provisions.

Federal Awards Finding No. 6:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA No. 84.027 and 84.173)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Suspension and Debarment. The District entered into two contracts with one vendor for goods and services for $26,325.00 and 26,617.50, using Special Education program moneys, without verifying that the vendor was not suspended or debarred from receiving Federal funds. United States Office of Management and Budget (OMB) *Circular A-133* provides that vendors receiving individual awards of Federal money for $25,000 or more must certify that the organization and its principals are not suspended or debarred from receiving Federal funds. The Circular also provides that non-Federal entities may, but are not required to, verify a vendor's suspension and debarment status by checking the *List of Parties Excluded from Federal Procurement or Nonprocurement Programs* issued by the General Services Administration (GSA). While we verified that the vendor was not included on the GSA's *Excluded Parties List System*, audit procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.

Recommendation: The District should enhance procedures, as required, for determining if vendors are suspended or debarred prior to entering into contracts.

MANATEE 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
CPA Associates 2006-01	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles - Employee Compensation	Documentation to support time worked on the Special Education Federal programs did not meet the requirements of OMB *Circular A-87*.	Not Corrected.	Procedures will be implemented to correct this finding.
CPA Associates 2006-02	Various - Allowable Costs/Cost Principles - Indirect Cost	The cost of the print shop functions which was included in the indirect cost pool, had not been offset by the print shop revenues realized.	Corrected.	The cost of the print shop function included in the indirect cost pool is now being offset by print shop revenues and is reflected in the current approved indirect cost rate.
CPA Associates 2006-03	Various - Allowable Costs/Cost Principles	The Federal prgrams' percentage share of workers' compensation costs was in excess of the General Fund's percentage share based on salaries.	Corrected.	Procedures have been implemented to correct this finding. The District is awaiting a decision from the U.S. Department of Education to resolve the prior year finding.

MANAGEMENT RESPONSE SECTION

SCHOOL DISTRICT OF MANATEE COUNTY

SCHOOL BOARD

Barbara A. Harvey
Chairman

Walter Miller
Vice Chairman

Robert C. Gause

Harry G. Kinnan

Jane R. Pfeilsticker

SUPERINTENDENT

Dr. Roger Dearing

January 18, 2008

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

Dear Mr. Martin:

Noted below are Manatee County District School Board's responses to the preliminary and tentative audit findings and recommendation for the 2006-2007 fiscal year audit. Implementation of these recommendations serves to increase accountability and promote effective and efficient operations throughout the District.

Finding No. 1: Financial Reporting

Improvements could be made in District procedures to ensure that certain account balances are properly reported at fiscal year-end.

Response:

The District concurs with this finding. Procedures will be enhanced to ensure the accuracy and completeness of the District's financial statements.

Finding No. 2: Debt Administration

The District did not calculate an arbitrage rebate liability on its financial statements.

Response:

The District has contracted with a qualified vendor to perform the arbitrage rebate liability calculation and such liability will be reported on the District's financial statements for the fiscal year ending June 30, 2008.

P.O. Box 9069
Bradenton, Florida
34206-9069
215 Manatee Ave. W.
Bradenton, FL
34205
PH. (941) 708-8770
FAX. (941) 708-8686
www.manateeschools.net

Finding No. 3: Cellular Telephone

District procedures did not provide for the value of cellular telephone (cell phone) services, provided to each employee assigned a cell phone, to be reported to the Internal Revenue Service, contrary to Federal requirements.

Response:

The District will review the business use of cell phones. Based upon the results of that review that will include costs of compliance, the District implement a corrective action based on the recommendation.

Finding No. 4: Fingerprinting Requirements

Contractual personnel, such as construction personnel, subcontractors, and day laborers hired by subcontractors, were permitted access on school grounds when students were present without undergoing the required background screenings.

Response:

The district has established adequate procedures for complying with the requirements of section 1012.465, Florida Statutes (2005), as written. Nothing in the act requires the district to perform the fingerprinting and screening of "contractual personnel who are permitted access on school grounds when students are present." In fact, the amendments to the Jessica Lunsford Act adopted in 2007 specify that the responsibility for the initial criminal history check on non-instructional contractors covered by the new amendments is on the non-instructional contractor, not the school board. The Technical Assistance Paper dated August 15, 2005, is not an accurate statement of the requirements of the Jessica Lunsford Act and is not binding on a school district. It has never been adopted as a rule under the Administrative Procedure Act. Nothing in the original act places the burden on the school board to do the fingerprinting and screening.

The District has not delegated its responsibility but has in our contracts required "contractual personnel" to comply with the requirements of the statute. There is no language in the statute to suggest the district cannot do that. Contractors are informed that failure to comply will result in sanctions provided in section 1012 .465 (3) Florida Statutes (2005). The statute requires nothing more.

As far as construction personnel, subcontractors and day laborers hired by subcontractors being present on school grounds when students were present without undergoing the required background screenings, unless they were under contract with the school board there was no fingerprint screening requirement. The statute as written only required contractual personnel "under contract with the school board" to meet level 2 screening requirements.

As far as exposing the district to potential litigation, the 2007 amendment addressed that by providing that none of the amendments contained in the Jessica Lunsford Act create or imply any private cause of action for violation and do not create any new duty of care or basis of liability.

Finding No. 5: Charter School Monitoring

The District did not timely obtain evidence of the required insurance coverage for the charter schools sponsored by the District.

Response:

The District will increase its efforts to ensure that its charter schools are in compliance with the contract provisions regarding insurance coverage.

Finding No. 6 – Architect and Engineer Professional Liability Insurance

The District did not evidence the basis on which it determined the sufficiency of architect and engineer professional liability insurance, potentially resulting in coverage which may not be adequate based on the anticipated project costs.

Response:

The District will establish procedures to ensure sufficient design professional coverage that will enhance the District's protection in the event that deficiencies exist in the work performed by these professionals.

Finding No. 7 – Timely Deletion of Computer Access Privileges

Controls, related to the immediate removal of access privileges for terminated employees, needed improvement.

Response:

The District will strengthen it controls related to the immediate removal of access privileges for terminated employees that will include documentation of the process. In addition, the District has acquired security software that includes much more robust reporting.

Finding No. 8 – Group Health Self-Insurance Plan – Annual Report

As of December 5, 2007, or 249 days after the required filing date, the District had not submitted its group health self-insurance annual report for the plan year ending 2006, contrary to Section 112.08(2)(b), Florida Statutes.

Response:

In the future, the District will take the appropriate action to ensure that the Group Health Self-Insurance plan is timely filed with the Florida Department of Financial Services, Office of Insurance Regulation.

Finding No. 9 – Cash Management

Cash draws were not sufficient to meet Federal program expenditure needs during the 2006-2007 fiscal year, with monthly cash deficits ranging from approximately $102,600 to $8,283,650, necessitating the use of other District funds to temporarily pay Federal program costs.

Response:

The District has developed procedures to monitor Federal cash needs to provide for timely receipt of Federal cash which would eliminate the necessity of using other District funds to temporarily finance Federal program costs. However, due to significant turnover in the Finance department during the latter part of the fiscal year such monitoring did not take place. Subsequent to the audit period, these monitoring activities resumed.

Federal Awards Finding No. 1 – Allowable Costs/Cost Principles – Services to Charter Schools

The District did not properly provide funding, totaling $12,289, for Special Education program services to two charter schools, resulting in questioned costs.

Response:

The District will establish procedures to ensure that students at new charter schools receive Special Education program services on an equitable basis with other students at District schools.

Federal Awards Finding No. 2 - Allowable Costs/Cost Principles – Salaries and Benefit Charges

Procedural improvements could be made to ensure that salary and benefit charges to the Special Education program are correct.

Response:

The District will continue to enhance its procedures to ensure that charges to the Special Education program are correct. The District will document to the grantor the allowability of the questioned costs.

Federal Awards Finding No. 3 – Significant Deficiency and Noncompliance – Student Financial Assistance Cluster

The District could enhance its procedures to ensure that Federal Student Financial Assistance funds are properly disbursed in accordance with Federal requirements.

Response:

New procedures have been established since the audit period for picking up checks from the district finance office. The checks are taken directly to the bookkeeping office. The student signature pages are attached to the checks for student pick up. Checks are locked up in the bookkeeping office when they are not being disbursed. Checks are disbursed by the bookkeeping staff or by the front desk staff.

The standard of progress required by Manatee Technical Institute is stricter than that of the Department of Education. We strive to disburse funds between 60% and 80% completion of a payment period in order to minimize funds that would have to be repaid to the Department of Education in the case of early withdrawal by the student and to allow students to be eligible for deferral of fees for future quarters. We will be revising our Policy and Procedures Manual to reflect our practice. The funds of the student that was found to not be eligible for Pell Grant funds received because standards of progress were not met have been returned to the Department of Education.

We have revised the payment period process for 2007-2008. We process Pell Balance checks more frequently which will allow us to maintain better control on when checks are processed and prevent late disbursements.

Return of Title IV calculation procedures and the Department of Education's software for completing these calculations has been reviewed by the financial aid staff. Over awards of funds found by the audit due to issues of these calculations have been returned to the Department of Education.

Federal Awards Finding No. 4 – Allowable Costs/Cost Principles – Workers' Compensation Allocation

Workers' compensation insurance costs were not allocated in a consistent manner to both Federal and non-Federal activities, resulting in questioned costs totaling $239,664.

Response:

The District has provided documentation to the U.S. Department of Education and the Florida Department of Education detailing the rationale used to allocate Worker's Compensation costs. In addition, the District has developed a worker's compensation cost allocation plan that applies the cost consistently and uniformly to both Federal and non-Federal governmental programs.

Federal Awards Finding No. 5 – Procurement – Contract Administration

The District entered into two contracts, totaling approximately $53,000, that excluded the federally required language, contrary to Title 34, Section 80.36(i), Code of Federal Regulations.

Response:

The District will ensure that all future contracts involving Federal funds contain the required provisions.

Federal Awards Finding No. 6 – Suspension and Debarment

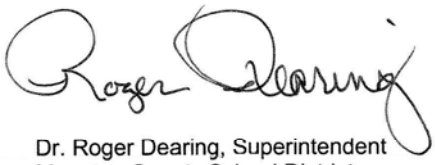
The District entered into two contracts with one vendor for goods and services for $26,325.00 and $26,617.50, using Special Education program moneys, without verifying that the vendor was not suspended or debarred from receiving Federal funds.

Response:

The District will enhance its procedures to determine if vendors are suspended or debarred prior to entering into contracts.

We appreciate the professionalism and courtesy of the audit staff throughout the process. Please feel free to contact Mr. Jim Drake, Executive Director of Finance, at 941-708-8770, extension 2110 if you have any questions.

Sincerely,



Dr. Roger Dearing, Superintendent
Manatee County School District