

***Comprehensive Annual Financial Report***

***of the***

***District School Board of Pasco County  
Land O' Lakes, Florida***

***for the***

***Fiscal Year Ended June 30, 2006***



***Issued by:  
Finance Services Department***

**District School Board of Pasco County  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

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# **INTRODUCTORY SECTION**



## District School Board of Pasco County

7227 Land O' Lakes Boulevard • Land O' Lakes, Florida 34638 • 813/ 794-2000

*Heather Fiorentino, Superintendent*

[www.pasco.k12.fl.us](http://www.pasco.k12.fl.us)

December 19, 2006

Dear Chairman, Members of the School Board and Citizens of Pasco County:

State law requires that all local governments publish after the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the District School Board of Pasco County, Florida (District) for the fiscal year ended June 30, 2006.

This report consists of management's representation concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The accounting firm of Cherry, Bekaert & Holland, L.L.P., has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The comprehensive annual financial report is presented in five sections as follows:

1. The Introductory Section, which contains a Table of Contents, Letter of Transmittal, Government Finance Officer's Association Certificate of Achievement, Association of School Business Officials International Certificate of Excellence in Financial Reporting, List of Principal Officials and an Organizational Chart of the District.

2. The Financial Section, which begins with the report of Cherry, Bekaert & Holland, L.L.P., and includes the management's discussion and analysis (the "MD&A"), the basic financial statements and notes providing an overview of the District's financial position and operating results and Required Supplementary Information.
3. The Combining and Individual Fund Statements provide more detailed information relative to the basic financial statements. This section begins with combining statements for nonmajor governmental funds and includes budget and actual statements for all governmental funds, except for the general fund. Combining statements for the internal service funds, agency funds and component units are also presented in this section.
4. The Statistical Section presents on a multi-year basis, selected social and economic data, financial trends and the fiscal capacity of the District.
5. The Single Audit Report includes a schedule of expenditures of federal awards and a schedule of findings and questioned costs.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditors' report.

### **Profile of the School District**

The District and its governing body were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered, and supervised by the District in accordance with Chapter 1001.30, Florida Statutes. The School Board consists of five elected officials responsible for the adoption of policies, which govern the operation of public schools in Pasco County.

The elected Superintendent of Schools is the executive officer of the Board and is responsible for the administration and management of the schools within the applicable parameters of Florida Statutes, State Board of Education Rules, and School Board policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts in the District by Section 1010.01, Florida Statutes, as prescribed by the State Board of Education.

The geographic boundaries of the District are those of Pasco County. During the 2005-2006 fiscal year, the District operated 62 schools, including 37 elementary schools, 12 middle schools, 9 high schools and 4 specialized schools and reported serving approximately 62,085 unweighted full-time equivalent students.

The District serves students from infants through adults. Students in the District represent a diverse community of learners, including a variety of ethnic and cultural backgrounds, as follows: White (78 percent), Hispanic (12 percent), Black (5 percent), Asian/Pacific Islander (5 percent) or other.

In addition to the educational programs offered to K-12 students, the District offers pre-kindergarten services including: programs for babies of teen parents who are progressing toward achieving high school diplomas; programs for special education infants and toddlers below the age of three; pre-kindergarten programs for three and four year old disabled students; and programs for eligible low income, at risk students.

The District also offers programs for adults to learn the necessary skills in order to enter the workforce or increase opportunities for advancement in current positions. Also, students from foreign countries have the opportunity to learn communication skills through the District's English for Speakers of Other Languages (ESOL) programs, and all citizens can take fee supported courses to increase personal development in various subjects such as computers, photography and personal financial planning.

This CAFR includes all funds of the District, the Pasco County School Board Leasing Corporation (the "Leasing Corporation"), four charter schools and the Pasco Education Foundation, Inc. (the "Foundation"), which comprise the reporting entity. The Leasing Corporation was formed to facilitate financing for the acquisition of educational facilities and equipment. Charter schools are public schools operating under performance contracts with the District. The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization. The Foundation's purpose is exclusively educational and charitable for the constituents of Pasco County. The charter schools and Foundation are included in the CAFR as discretely presented component units.

## **Single Audit**

The independent audit of the basic financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget (the "OMB") Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The standards governing Single Audit engagements require the independent certified public accountants to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

## **Economic Condition and Outlook**

Pasco County is a 745 square mile area located centrally on the west coast of Florida, 200 miles south of the state capital of Tallahassee and 300 miles northwest of Miami. The County is approximately 30 miles northwest of the city of Tampa, and approximately 45 miles north of the City of St. Petersburg. It is part of a 9 county region referred to as the "Nature Coast" and contains an interesting mix of suburban and rural communities. The county was established in 1887 and is one of the fastest growing counties in Florida. Within its borders there are 6 municipalities: the cities of San Antonio, St. Leo, Zephyrhills, Port Richey, Dade City and New Port Richey. There are also several smaller unincorporated communities such as Darby, Holiday, Hudson, Wesley Chapel and Land O' Lakes. The county is primarily a retirement and tourist area but construction, retail trade, service industries, agriculture and manufacturing play active parts in the community's financial status.

Since 2000, the population of Pasco County increased 18.3 percent to an estimated 407,799. As families with young children are attracted to the area for its quality lifestyle and attractive environment, the median age of Pasco's population has steadily declined by 5.1 percent from 44.9 in 2000 to 42.6 in 2003. For the calendar year 2004, the Florida Price Level Index for School Personnel, which is prepared by the Bureau of Economic and Business Research at the University of Florida under the direction of the Florida Department of Education, ranked Pasco County 21<sup>st</sup> of 67 counties in the State with a value of 98.4.

The Florida Price Level Index for School Personnel is used to represent the cost of hiring equally qualified personnel across Florida school districts and takes into account the cost of goods and services, access to lakes or sandy beaches, the range of available cultural and recreational opportunities, and the mix of public services and taxes that affect standards of living for a county. A value of 100 represents the weighted average cost to hire and retain qualified personnel. In essence, the District's value of 98.4 implies that it cost the District less than the average school district to attract and retain equally qualified personnel. Surrounding counties such as: Hillsborough (101.1), Pinellas (100.4), and Polk (98.9) had higher values and will need to provide greater compensation to hire and retain equally qualified personnel.

The District recognizes that continued enhancement of the local economy is of mutual benefit to both the school district and Pasco County. An excellent system of public education is a significant factor in improving the standard of living in Pasco County. As the area's largest employer, employing 8,071 full and part-time employees, the District endeavors to improve its education system by focusing on the following major initiatives.

## **Major Initiatives**

### Realizing Our Vision

It is the District's vision *to create a community which works together so all Pasco County students will reach their highest potential*. To achieve this vision, we believe students are individuals with varying abilities and talents go through stages of individual growth which have unique characteristics and that they learn in school, at home and in the community. We also believe learning should be relevant and prepare our students for rewarding careers in a changing work world. Our District's design and vision for schooling is based on the concept of *A Community of Connected Schools*. The concept is founded on the three guiding principles of *Continuous Progress*, *Continuity of Caring* and *Ensuring Equity and Excellence*.

**Continuous Progress** schools and classrooms allow and encourage students to learn in a continuous progression as unique individual learners, each needing different learning plans or paths toward the achievement of high standards of education. Thus, the education of our students is focused on the whole child- the academic, social, emotional, physical and artistic growth.

We also have organized our school classrooms into teams, Prekindergarten through the 12<sup>th</sup> grade, to create learning environments that offer **Continuity of Caring**. This offers students the opportunity to work together and learn from a common group of teachers and staff for more than one school year. In most team settings, students stay on a team with the same group of teachers for two or three years. Continuity of Caring creates a stable and secure learning place for students – where they CAN achieve. Students, teachers, and parents have more time to build relationships that foster open and productive communication.

Our third guiding principle, ***Ensuring Equity and Excellence***, provides an equitable, quality education that elevates the standard for academic performance for **all** students. We believe that all students should get the chance to learn from qualified teachers in exemplary classroom learning environments. Ensuring Equity and Excellence enables all students to be successful learners.

### Class Size Reduction Amendment

In November 2002, the voters of Florida amended the State Constitution to limit class size. By the beginning of fiscal year 2010-2011, the amendment established the maximum number of students in core-curricula courses assigned to a teacher in each of the following three grade groupings: (1) Pre-kindergarten through grade 3, 18 students; (2) grades 4 through 8, 22 students; and (3) grades 9 through 12; 25 students.

The Florida Legislature enacted Senate Bill-30A implementing the reduction of the average number of students in each classroom by at least two students per year, beginning in fiscal year 2003-2004 until the maximum number of students per classroom does not exceed the fiscal year 2010-2011 maximum. If a district's class size does not meet the constitutional maximum, then the district must reduce the average number of students in each of the three grade groupings by two students until the constitutional maximums are reached. The following is how the constitutional maximums are calculated:

- For fiscal years 2003-2004, 2004-2005, and 2005-2006, class size will be calculated at the district level.
- For fiscal years 2006-2007 and 2007-2008, class size will be calculated at the school level.
- For fiscal years 2008-2009 and 2009-2010, class size will be calculated at the classroom level.

The District has complied with the requirements of Senate Bill 30A at the district level for all grade levels. It is anticipated that the District will continue to meet the constitutional maximums for the three grade groupings at school-level during fiscal year 2006-2007.

### Capital Outlay Program

During the current fiscal year, the District completed several major construction projects totaling \$152,246,322. We opened four new schools in August 2006 and will open two more schools in January 2007. Five schools are currently under construction and will open in the 2007-2008 school year.

### Accomplishments

One of the ways to judge a school district is to compare the results of its students on national and statewide testing and the accomplishments of its staff. The District believes that its students and staff have performed remarkably well based on various tests and accomplishments, as noted:

- Twenty-seven seniors from Pasco County were named to the 2006 National Merit Recognition pool, fifteen more than had been named in 2005. Ten of those 27 were named National Merit Finalists. These students have scored in the top ½ of 1% of all student scores nation-wide on the

PS T, which is the National Merit qualifying exam.

- 50 Pasco County Schools earned the Golden School award.
- Eighteen of our teachers achieved National Board Certification in January 2006, which brings us to a total of 100 teachers in our district who have achieved the highest level of certification for a teacher.
- The Pasco Education Foundation, Inc. supported the students, teachers, and programs of the school system with over \$400,000 classroom grants, scholarships for students and employees, curriculum and academic contests and recognition events.
- Fiscal Year 2004-2005 is the sixth year that accountability reports include grades for schools. Sixty-one percent of our schools received an "A" or "B" under the State of Florida's A+ Plan.
- Schools throughout Florida are held accountable based on the test results from the Florida Comprehensive Assessment Test (FCAT). The FCAT measures students' attainment of the Florida Sunshine State Standards. At all grade levels tested on the FCAT; District students met or were close to the State average.
- District students who are college bound must meet certain entrance requirements. One of these requirements involves performance on either the American College Testing Program (ACT) or the Scholastic Aptitude Test (SAT). Results showed that District students average scores (20.6) on the ACT were higher than the state average scores (20.3).
- The Purchasing Department is the recipient of the Achievement in Excellence in Procurement award from the National Purchasing Institute. This prestigious award is earned by governmental organizations that demonstrate excellence by obtaining a high score based on rigorous standards. This is the first time that Pasco County Schools received this award and this year it is the only school district in Florida to be chosen.

## **Financial Information**

### Internal Controls

Management of the District is responsible for establishing and maintaining internal control designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

## Budgetary Controls

The District maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District. Activities of all governmental fund types are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the fund-function-object level for all funds.

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

In order to provide budgetary control for salaries the District utilizes a centralized position control system. On an annual basis, the District adopts a District staffing plan that establishes teaching positions based generally on student populations served. Additionally, support and administrative positions are created based on established criteria.

## Cash Management and Investments

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates, depending on the anticipated future cash requirements.

The overall strategy of holding deposits and making investments is to expose the District to a minimum amount of credit and market risk. All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the District or its agent in the District's name.

## Pension and Other Post Employment Benefits

The Florida Retirement System, a defined benefit retirement plan (the "DBRP"), covers all regular employees of the District. Essentially all regular employees of participating employers are eligible and must enroll as members of the DBRP. Benefits vest at specified numbers of years of service depending upon the employee's classification. The DBRP also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The DBRP provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

As authorized by Section 1012.685, Florida Statutes, the District implemented an Early Retirement Plan (the "Plan"), effective July 1, 1983, and amended as of January 1, 1997. The Plan is a single-employer, defined benefit pension plan. The purpose of the Plan is to provide District employees, who elect to retire under the early retirement provisions of the Florida Retirement System (the "FRS"), described in the notes to the financial statements, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement age of 62.

The District also provides postretirement health and dental care benefits for certain retirees. Employees receiving these benefits are financed on a pay-as-you-go basis.

## Risk Management

The District is self-insured for workers' compensation, general and automobile liability, with outside contractors providing various administrative services. The District also provides a prescription plan for employees on a self-insured basis. The prescription plan is administered by an insurance carrier under an agreement wherein the District reimburses the insurance carrier for claims paid on a monthly basis. The District is fully insured for medical, dental, vision, mental health and life insurance. Each of the District's funds compensates the applicable Internal Service Fund based upon its personnel staffing levels. Resources have been accumulated in order to meet potential losses.

## Reporting Achievement

The Government Finance Officers' Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International (the "ASBO") awarded its Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the sixth consecutive year that the District has received these prestigious awards. In order to be awarded the Certificate of Achievement for Excellence in Financial Reporting and the Certificate of Excellence in Financial Reporting, the District must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

Certificate of Achievement and Certificate of Excellence are valid for a period of one year only. These awards are granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials. It is the belief of management that our current CAFR continues to meet the Certificate of Achievement Program's requirements, as well as for the Certificate of Excellence Program's requirements. We are submitting this CAFR to GFOA and ASBO to determine its eligibility for another certificate.

## Acknowledgements

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the District's Finance Services Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

This CAFR is dedicated to the memory of Mr. Charles S. Rushe, Chief Finance Officer who passed away October 3, 2006. His innovative and fiscally sound leadership left behind a financially sound district, earning respect statewide.

In closing, we would like to thank the members of the School Board for their leadership and support in planning and conducting the financial operations of the District.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Heather Fiorentino".

Ms. Heather Fiorentino  
Superintendent of Schools

A handwritten signature in blue ink, appearing to read "Olga Swinson".

Ms. Olga Swinson, CPA, CGFM  
Chief Finance Officer

# The District School Board of Pasco County



## Resolution for Charles "Chuck" Rushe

**Whereas**, in April of 1975, at the young age of 27, Chuck Rushe began working for the District School Board of Pasco County; and

**Whereas**, beginning his career in finance, climbing through the ranks from accountant to Director of Transportation to Director of Finance to Chief Finance Officer where he served with pride and distinction for many years; and

**Whereas**, leading the district through innovative and fiscally conservative decisions creating an appropriate surplus, yet providing the best financial settlements possible; and

**Whereas**, his knowledge of Florida Educational Finance Program allowed him to work with the Legislature and Department of Education to retool the allocation of dollars more equitably; and

**Whereas**, serving as president of the Florida School Finance Officers Association representing all of the finance officers around the State of Florida and having been appointed by three different Commissioners of Education to serve on the Florida School Finance Council, a policy analysis body which recommended changes to the Legislature; and

**Whereas**, devoting his life to his family, his county and the field of finance, Chuck Rushe has served the citizens with pride and distinction earning the respect and admiration of his peers and his community.

**Now, Therefore, Be It Resolved** by the District School Board of Pasco County  
honoring and commending

### Charles "Chuck" Rushe

for his 31 years of dedicated service to the students and staff of the District School Board of Pasco County and his service in the finance community and to the citizens of Pasco County.

**Be It Further Resolved** that the Superintendent and the School Board members do hereby recognize and thank his wife, Kathy, their children, Steven, Brian, and Karyn, his grandson, Patrick, and his mother, June, for their love and faithful support during his remarkable career.

**Duly Passed and Adopted**, at a regular public meeting this 7th day of November 2006.

The District School Board of Pasco County, Florida

By: Catharine E. Martin  
Chairman, Pasco County School Board

Attest: Deborah Fiorenza  
Superintendent, Pasco County School Board

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

District School Board  
of Paso County, Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS**  
**INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2005

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Interim Executive Director

## List of Principal Officials As of June 30, 2006

### *Principal Officials – Elected*

<b>Ms. Heather Fiorentino</b> , Superintendent of Schools Present Term Expires	November 2008
<b>Ms. Jean Larkin Weightman</b> , Vice-Chairman, Member from District 1 Present Term Expires	November 2006
<b>Ms. Marge Whaley</b> , Member from District 2 Present Term Expires	November 2008
<b>Ms. Cathi Martin</b> , Chairman, Member from District 3 Present Term Expires	November 2006
<b>Ms. Kathryn Starkey</b> , Member from District 4 Present Term Expires	November 2008
<b>Ms. Kathleen Wolf</b> , Member from District 5 Present Term Expires	November 2006

### *Principal Officials – Appointed*

**Ms. Sandra Ramos**, Assistant Superintendent for Curriculum and Instructional Services

**Mr. Charles S. Rushe**, Chief Finance Officer (Deceased)

**Mr. James Davis**, Assistant Superintendent for High Schools

**Ms. Ruth Reilly**, Assistant Superintendent for Elementary Schools

**Ms. Tina Tiede**, Assistant Superintendent for Middle Schools

**Mr. Raymond Gadd**, Administrative Assistant for Employee Services and Planning

# Organizational Chart



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# **FINANCIAL SECTION**



**REPORT OF THE  
INDEPENDENT AUDITORS**



## **Report of Independent Auditors**

The Honorable Members of the School Board  
District School Board of Pasco County  
Land O' Lakes, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Pasco County, Florida (the "District"), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District School Board of Pasco County'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 Academy at the Farm, Inc., Countryside Montessori Charter School, Inc., or the Dayspring Academy for Education and the Arts which represent 50 percent, 25 percent, and 69 percent, respectively, of the assets, net assets, and revenues of the component unit columns. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, are based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Language Academy Charter School, Inc. (the "Academy") have not been audited, and we were not engaged to audit the Academy's financial statements as part of our audit of the District's basic financial statements. The Academy's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 10 percent of revenues and less than one percent of the assets and net assets, respectively, of the District's aggregate discretely presented component units.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Academy's financial statements been audited, the financial statements referred to above present fairly, in all

material respects, the financial position of the aggregate discretely presented component units for the District School Board of Pasco County, Florida, as of June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District School Board of Pasco County, Florida, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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 on pages 3 through 16 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical tables listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. 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. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards have 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cherry, Bekart + Holland, L.L.P.*

Orlando, Florida  
December 8, 2006



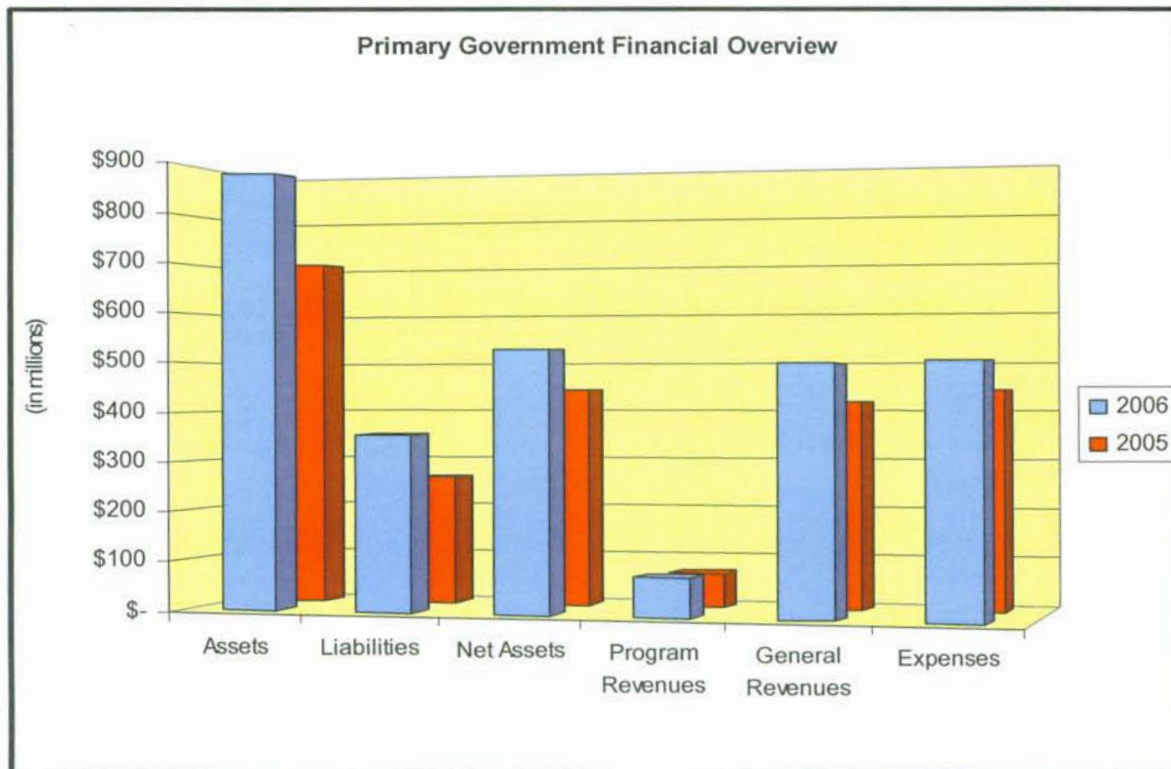
**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**District School Board of Pasco County  
Management's Discussion and Analysis  
June 30, 2006**

As management of the District School Board of Pasco County (the "District"), we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with information that we have furnished in the District's basic financial statements, which immediately follow this section.

**Financial Highlights**

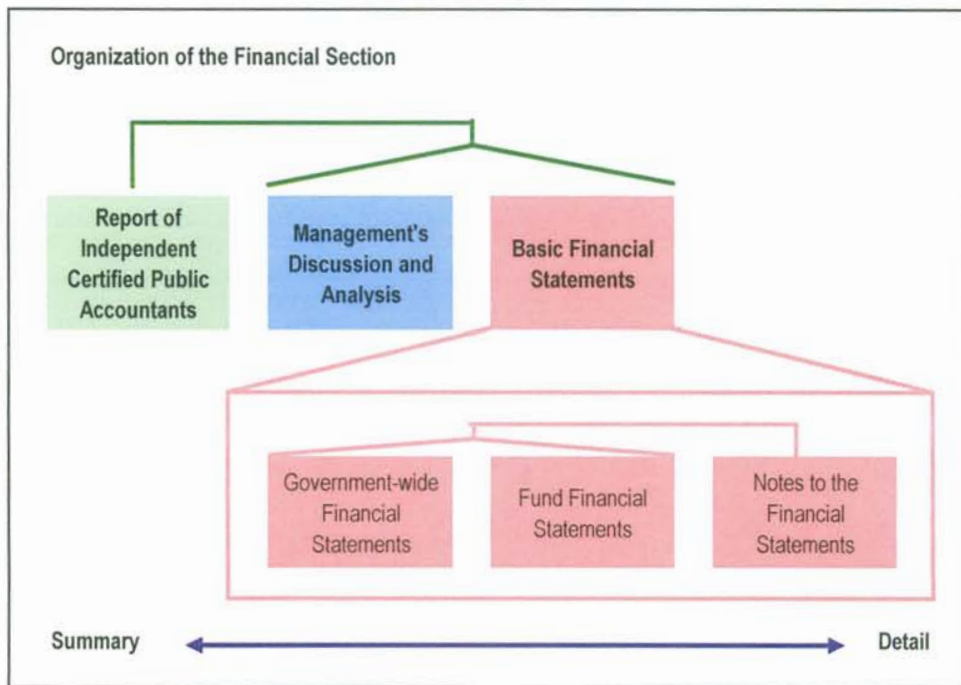
- The District's total net assets increased by \$79,810,571.
- At June 30, 2006, the District's governmental funds reported combined fund balances of \$220,415,058, a decrease of \$2,402,928 in comparison with the prior year.
- At June 30, 2006 the unreserved fund balance for the General Fund was \$22,662,970 or 5.6 percent of total General Fund expenditures. The unreserved fund balance is available for spending at the District's discretion.
- The District's total long term bonded debt (Bonds Payable and Certificates of Participation) increased by \$57,665,130 or 22.2 percent during the current fiscal year. The key factor in this increase was the issuance of \$67,200,612 in Certificates of Participation.



## Overview of the Financial Section

The financial section consists of three parts: report of independent certified public accountants, management's discussion and analysis (this section) and the basic financial statements. Management's discussion and analysis (the "MD&A") is intended to serve as an introduction to the District's basic financial statements and presents other supplementary information in addition to the basic financial statements themselves. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. The remaining 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. The basic financial statements also 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

One of the most important questions asked about the District's financial position is, "Is the District better off or worse off as a result of the year's activities?" The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies that help answer this question. The statement of net assets includes all assets and liabilities. All of the current year's revenues and expenses are presented in the statement of activities, regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as: property tax base, current property tax laws, student enrollment and facility conditions to arrive at a conclusion regarding the overall health of the District.

In addition, the statement of net assets and the statement of activities provide greater detail by dividing the District's activities into three distinct kinds of activities:

- **Governmental Activities** – This represents most of the District's services, including its educational programs: basic, exceptional education, vocational and adult. Support functions, such as operation and maintenance of plant, pupil transportation and administration, are also included. Local property taxes and the state's education finance program provide most of the resources that support these activities.
- **Business-type Activity** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Pasco Learning and Activity Centers of Enrichment (the "PLACE"), a before and after school child care program is reported as a business-type activity.
- **Component Units** – The District presents the following charter schools: Academy at the Farm, Inc.; Countryside Montessori Charter School, Inc.; Dayspring Academy for Education and the Arts and The Language Academy Charter School, Inc. and the Pasco Education Foundation, Inc. (the "Foundation"); as separate legal entities in this report. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by accounting principles generally accepted in the United States (the "GAAP").
- The Pasco County School Board Leasing Corporation (the "Leasing Corporation") is also a legally separate entity and 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*

The fund financial statements provide more detailed information about the District focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term liabilities) or to show that it is properly using certain revenues (such as federal grants) and to demonstrate prudent fiscal management.

The District has three kinds of funds:

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

Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided following the governmental funds financial statements and in the notes to the financial statements, which explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same manner as the government-wide financial statements (i.e.: full accrual basis of accounting). The District uses internal service funds to account for activities which provide goods and services to support other programs and functions of the District and an enterprise fund to account for the activities of its before and after school child care program.
- *Fiduciary funds:* Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties. Fiduciary funds are not reflected in the government-wide financial 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.

## **Financial Analysis of the District as a Whole**

### *Net Assets*

The District's combined net assets were significantly larger on June 30, 2006, than they were the year before, increasing 17.9 percent to \$525.5 million. Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew \$79.5 million to \$521.9 million. The net assets of the District's business-type activity increased by \$0.3 million to \$3.6 million; although the dollar growth was smaller, it nonetheless represented an increase of more than 9 percent.

By far the largest portion of the District's net assets (72.2 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment, motor vehicles), less any related debt used to acquire or construct those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (21.1 percent) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (6.7 percent) may be used to meet the District's ongoing activities.

The District is able to report, this year as well as last year, positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The District's improved financial condition is the result of many factors. Growth during the year in taxes and grants were a significant contributor to the improvement. Even though the School Board decreased the total property tax millage levied by 0.146 mills to 7.798 mills for the year, the increase in Pasco County's assessed property value of \$3.5 billion provided an increase in property tax revenues of \$24.1 million, or 16.0 percent. Another notable factor was the receipt of sales taxes in the amount of \$17.1 million due to the passage of a Sales Tax Referendum, which became effective beginning January 2005.

A condensed statement of net assets is presented below.

<b>Condensed Statement of Net Assets</b>				
<b>Governmental Activities</b>	<b>2006</b>	<b>2005</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Assets:</b>				
Current and Other Assets	\$ 303,630,444	\$ 263,985,221	\$ 39,645,223	15.0%
Capital Assets, net of accumulated depreciation	573,132,573	439,278,584	133,853,989	30.5%
<b>Total Assets</b>	<b>876,763,017</b>	<b>703,263,805</b>	<b>173,499,212</b>	<b>24.7%</b>
<b>Liabilities:</b>				
Current Liabilities	54,156,346	20,003,412	34,152,934	170.7%
Noncurrent Liabilities	300,702,218	240,870,989	59,831,229	24.8%
<b>Total Liabilities</b>	<b>354,858,564</b>	<b>260,874,401</b>	<b>93,984,163</b>	<b>36.0%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related debt	378,990,397	284,226,371	94,764,026	33.3%
Restricted	111,094,082	132,104,422	(21,010,340)	-15.9%
Unrestricted	31,819,974	26,058,611	5,761,363	22.1%
<b>Total Net Assets</b>	<b>\$ 521,904,453</b>	<b>\$ 442,389,404</b>	<b>\$ 79,515,049</b>	<b>18.0%</b>
<b>Business-type Activity</b>				
<b>Assets:</b>				
Current and Other Assets	\$ 3,824,233	\$ 3,638,368	\$ 185,865	5.1%
Capital Assets, net of accumulated depreciation	301,788	87,929	213,859	243.2%
<b>Total Assets</b>	<b>4,126,021</b>	<b>3,726,297</b>	<b>399,724</b>	<b>10.7%</b>
<b>Liabilities:</b>				
Current Liabilities	53,487	43,006	10,481	24.4%
Noncurrent Liabilities	513,695	419,974	93,721	22.3%
<b>Total Liabilities</b>	<b>567,182</b>	<b>462,980</b>	<b>104,202</b>	<b>22.5%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related debt	301,788	87,929	213,859	243.2%
Unrestricted	3,257,051	3,175,388	81,663	2.6%
<b>Total Net Assets</b>	<b>\$ 3,558,839</b>	<b>\$ 3,263,317</b>	<b>\$ 295,522</b>	<b>9.1%</b>
<b>Total School District</b>				
<b>Assets:</b>				
Current and Other Assets	\$ 307,454,677	\$ 267,623,589	\$ 39,831,088	14.9%
Capital Assets, net of accumulated depreciation	573,434,361	439,366,513	134,067,848	30.5%
<b>Total Assets</b>	<b>880,889,038</b>	<b>706,990,102</b>	<b>173,898,936</b>	<b>24.6%</b>
<b>Liabilities:</b>				
Current Liabilities	54,209,833	20,046,418	34,163,415	170.4%
Noncurrent Liabilities	301,215,913	241,290,963	59,924,950	24.8%
<b>Total Liabilities</b>	<b>355,425,746</b>	<b>261,337,381</b>	<b>94,088,365</b>	<b>36.0%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related debt	379,292,185	284,314,300	94,977,885	33.4%
Restricted	111,094,082	132,104,422	(21,010,340)	-15.9%
Unrestricted	35,077,025	29,233,999	5,843,026	20.0%
<b>Total Net Assets</b>	<b>\$ 525,463,292</b>	<b>\$ 445,652,721</b>	<b>\$ 79,810,571</b>	<b>17.9%</b>

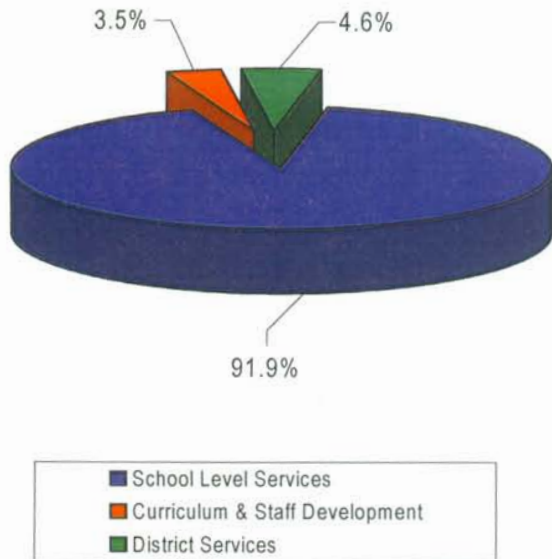
### Changes in Net Assets

Total revenues surpassed total expenses, reporting an increase in net assets of \$79.7 million. Both the governmental and business-type activities contributed to the District's healthier fiscal status.

A schedule detailing changes in net assets from operating results is presented below.

<b>Changes in Net Assets from Operating Results</b>							
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>% Change</b>
	<b>Activities</b>		<b>Activity</b>		<b>School District</b>		
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	
<b>Revenues:</b>							
Program Revenues:							
Charges for Services	\$ 12,110,266	\$ 11,423,234	\$ 7,057,611	\$ 6,131,730	\$ 19,167,877	\$ 17,554,964	9.2%
Operating Grants and Contributions	28,133,635	26,955,586	-	-	28,133,635	26,955,586	4.4%
Capital Grants and Contributions	38,201,714	25,399,494	-	-	38,201,714	25,399,494	50.4%
General Revenues:							
Property Taxes	150,581,718	126,500,859	-	-	150,581,718	126,500,859	19.0%
Local Sales Taxes	17,137,576	7,009,724	-	-	17,137,576	7,009,724	144.5%
Florida Education Finance Program	200,638,043	193,043,959	-	-	200,638,043	193,043,959	3.9%
Grants and Contributions not Restricted to Specific Programs	93,142,151	75,216,855	-	-	93,142,151	75,216,855	23.8%
Other	34,194,822	19,053,067	169,708	76,146	34,364,530	19,129,213	79.6%
<b>Total Revenues</b>	<b>574,139,925</b>	<b>484,602,778</b>	<b>7,227,319</b>	<b>6,207,876</b>	<b>581,367,244</b>	<b>490,810,654</b>	<b>18.5%</b>
<b>Program Expenses:</b>							
Instruction	285,454,884	249,481,508	-	-	285,454,884	249,481,508	14.4%
Pupil Personnel Services	23,764,750	21,156,345	-	-	23,764,750	21,156,345	12.3%
Instructional Media Services	9,456,379	8,899,097	-	-	9,456,379	8,899,097	6.3%
Inst. and Curriculum Development Services	9,088,378	8,024,881	-	-	9,088,378	8,024,881	13.3%
Instructional Staff Training	8,052,983	11,448,750	-	-	8,052,983	11,448,750	-29.7%
Instructional Related Technology	4,210,967	-	-	-	4,210,967	-	-
Board of Education	1,643,566	1,399,327	-	-	1,643,566	1,399,327	17.5%
General Administration	2,169,506	1,174,386	-	-	2,169,506	1,174,386	84.7%
School Administration	27,011,932	24,847,257	-	-	27,011,932	24,847,257	8.7%
Facilities Acquisition and Construction	9,250,352	7,226,608	-	-	9,250,352	7,226,608	28.0%
Fiscal Services	2,185,931	2,104,263	-	-	2,185,931	2,104,263	3.9%
Food Services	25,144,171	23,244,513	-	-	25,144,171	23,244,513	8.2%
Central Services	3,548,220	7,654,273	-	-	3,548,220	7,654,273	-53.6%
Pupil Transportation Services	22,880,871	20,260,829	-	-	22,880,871	20,260,829	12.9%
Operation of Plant	35,355,100	30,108,432	-	-	35,355,100	30,108,432	17.4%
Maintenance of Plant	11,565,861	10,598,270	-	-	11,565,861	10,598,270	9.1%
Administrative Technology Servi	1,704,019	-	-	-	1,704,019	-	-
Community Services	690,445	874,940	6,931,797	5,596,822	7,622,242	6,471,762	17.8%
Interest on Long-term Liabilities	11,446,561	9,274,923	-	-	11,446,561	9,274,923	23.4%
Depreciation-Unallocated	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>494,624,876</b>	<b>437,778,602</b>	<b>6,931,797</b>	<b>5,596,822</b>	<b>501,556,673</b>	<b>443,375,424</b>	<b>13.1%</b>
<b>Increase in Net Assets</b>	<b>\$ 79,515,049</b>	<b>\$ 46,824,176</b>	<b>\$ 295,522</b>	<b>\$ 611,054</b>	<b>\$ 79,810,571</b>	<b>\$ 47,435,230</b>	<b>68.3%</b>

### Expenses for Fiscal Year 2006



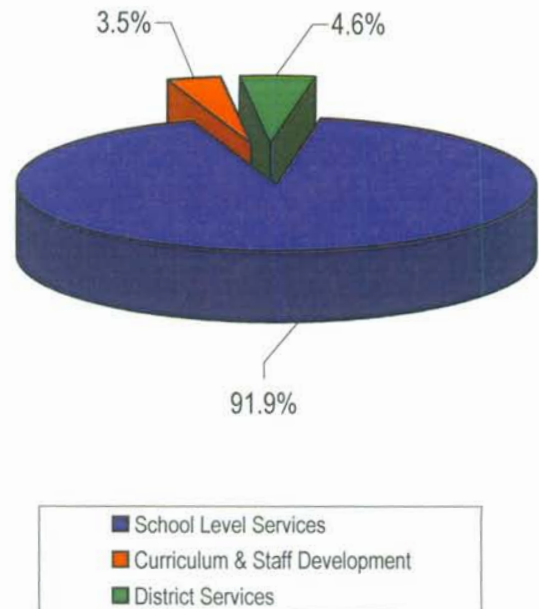
for salaries and fringe benefits. The District is a service entity and, as such, is labor intensive. Expenditures are up over the prior year mostly due to an increase in personnel costs and health care benefits. Teaching alone comprises approximately 57.7 percent of all expenditures.

Teaching combined with other school-level programs such as transportation, media, counseling, psychological services, school administration, community services, capital outlay and operations and maintenance comprise 91.9 percent of total expenses. Curriculum development and staff training comprise 3.5 percent of total expenses. District services such as human resources, finance, purchasing, warehouse, data processing and the mail couriers comprise the remainder 4.6 percent of total expenses.

Total revenues of the District increased 18.5 percent to \$581.4 million. The District's reliance upon state revenues and local taxes is demonstrated by the graph to the left "Sources of Revenues for Fiscal Year 2006." A major portion or 34.9 percent of total revenues came from state funds received through the Florida Education Finance Program (FEFP). In addition, 26.2 percent came from local property taxes. Furthermore, 16.2 percent came from Unspecified Federal and State Grants. Another 11.6 percent came from Specified Federal and State Grants. An added 2.1 percent was generated by fees charged for services. An extra 3.0 percent was generated by the Local Sales surtax proceeds. Finally, 6.0 percent came from various other sources including interest earnings.

The total cost of all programs and services rose 13.1 percent to \$501.6 million. The District's largest portion of expenditures is

### Expenses for Fiscal Year 2006



## *Governmental Activities*

Governmental activities net assets increased by \$79.5 million, thereby accounting for 99.6 percent of the growth in the net assets of the District. Key elements of the increase are as follows:

- The assessed value of taxable property in Pasco County increased by \$3.5 billion, from \$16.3 billion to \$19.8 billion, an increase of 21.76 percent.
- Unrestricted net assets decreased by \$2.4 million. Part of this decrease was the result of plan changes in compensated absences, higher energy costs and the result of overall expenses exceeding revenues.
- The District received \$25.2 million in Impact Fees and \$17.1 million in Sales Tax proceeds that are being used to acquire land and build school sites.
- For the most part, increases in non-energy related expenses closely paralleled inflation and growth in the number of students.

The statement of activities shows the cost of program services and the charges for services, grants and contributions offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues, including taxes, unrestricted state entitlements and investment earnings, must support the net cost of program services.

### Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	%	2006	2005	%
<b>Program Expenses</b>						
Instruction	\$ 285,454,884	\$ 249,481,508	14.4%	\$ 285,349,243	\$ 248,983,009	14.6%
Pupil Personnel Services	23,764,750	21,156,345	12.3%	23,764,750	21,156,345	12.3%
Instructional Media Services	9,456,379	8,899,097	6.3%	9,456,379	8,899,097	6.3%
Instructional and Curriculum Development Services	9,088,378	8,024,881	13.3%	9,088,378	8,024,881	13.3%
Instructional Staff Training	8,052,983	11,448,750	-29.7%	8,052,983	11,448,750	-29.7%
Instructional Related Technology	4,210,967	-		4,210,967		
Board of Education	1,643,566	1,399,327	17.5%	1,643,566	1,399,327	17.5%
General Administration	2,169,506	1,174,386	84.7%	2,169,506	1,174,386	84.7%
School Administration	27,011,932	24,847,257	8.7%	27,011,932	24,847,257	8.7%
Facilities Acquisition and Construction	9,250,352	7,226,608	28.0%	(26,829,610)	(12,402,452)	116.3%
Fiscal Services	2,185,931	2,104,263	3.9%	2,185,931	2,104,263	3.9%
Food Services	25,144,171	23,244,513	8.2%	181,417	(301)	-60371.4%
Central Services	3,548,220	7,654,273	-53.6%	3,548,220	7,654,273	-53.6%
Pupil Transportation Services	22,880,871	20,260,829	12.9%	7,783,789	5,625,322	38.4%
Operation of Plant	35,355,100	30,108,432	17.4%	35,355,100	30,108,432	17.4%
Maintenance of Plant	11,565,861	10,598,270	9.1%	11,565,861	6,819,909	69.6%
Administrative Technology Servi	1,704,019	-		1,704,019		
Community Services	690,445	874,940	-21.1%	690,445	874,940	-21.1%
Other	11,446,561	9,274,923	23.4%	9,324,809	7,282,850	28.0%
<b>Total</b>	<b>\$ 494,624,876</b>	<b>\$ 437,778,602</b>	<b>13.0%</b>	<b>\$ 416,257,685</b>	<b>\$ 374,000,288</b>	<b>11.3%</b>

- The total cost of all governmental activities this year was \$494.7 million.
- A portion of these costs were financed by charges paid by users of the programs (\$12.1million).
- The federal and state governments subsidized certain programs with operating grants (\$28.1 million) and capital grant contributions (\$38.2 million).
- County and state taxpayers finance the majority of District's costs (\$416.3 million). This portion of governmental activities was financed by a combination of: property taxes, sales taxes, impact fees, unrestricted state aid based on the Florida Education Finance Program, contributions and grants not restricted to specific programs, investment earnings and other sources.

#### *Business-type Activity*

The business-type activity presented is the PLACE Program, a before and after school child care program. Total revenues of the program were \$7.2 million and expenses totaled \$6.9 million. Expenses are supported by charges paid by users (\$7.1 million). The program had an increase in net assets of \$0.3 million.

## **Financial Analysis of the District's Funds**

### *Major Governmental Funds*

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

At fiscal year end, the District's governmental funds reported combined ending fund balances of \$220.4 million, a decrease of \$2.4 million compared to the prior year. Approximately 10.28 percent of this amount constitutes unreserved and undesignated fund balances, which is available for spending at the District's discretion. The remainder of fund balances is reserved or designated to indicate that it is not available for new spending because it has already been committed to: 1) fund state categorical programs (\$14.9 million), 2) finance construction projects and purchase orders outstanding at year-end (\$158.9 million), 3) pay debt service (\$14.6 million), 4) support Food Service operations (\$1.1 million), and 5) set aside resources for supplementary anticipated purposes (\$8.2 million).

The general fund is the primary operating fund of the District. At fiscal year end, the unreserved and undesignated fund balance of the general fund was \$22.7 million, with a total fund balance of \$53.4 million. As a measure of the general fund's liquidity, it may be useful to compare both this amount and total fund balance to total expenditures. Unreserved and undesignated fund balance represents 5.7 percent of total general expenditures, while total fund balance represents 13.4 percent of the same amount.

General fund expenditures are up \$44.2 million, or 9.1 percent, over the prior fiscal year mostly due to salary and benefit increases associated with new and existing staff. General fund revenues exceeded expenditures during the fiscal year resulting in an increase to fund balance and contributing to the improved financial health of the District. The fund balance, for the Capital Projects - Public Education Capital Outlay, decreased by \$3,488,219 to \$2,571,799. The fund balance, for the Capital Projects - Other Funds, increased by \$4,702,853 to \$122,169,977. The changes in these Capital Projects funds were mainly due to the timing differences between collecting funds for and expending funds on construction projects.

### *General Fund Budget Information*

During the current fiscal year, the District received \$7,451,022 million of State formula revenues less than the initially budgeted amounts. This decrease was partially due to the over projection of students (full time equivalent) by the State. The projected student increase for the year (upon which the budget was based) was 3,594. The actual student increase for the year was 2,587. This reduction was substantially offset by tax collections that were \$2,699,837 and interest earnings that were \$1,057,068 higher over the initial revenue estimate.

The final amended budget for the General Fund reflected an increase of \$29.6 million in expenditures. The increase was mainly attributed to unexpended appropriations as follows: (1) 12.2 million in encumbrances; (2) \$10.4 million in State categorical and other earmarked funds; and (3) \$7.0 million in other unexpended budget items. At fiscal year end the District had a positive budgetary variance of \$28.8 million.

## Capital Assets and Long-term Debt Administration

### Capital Assets

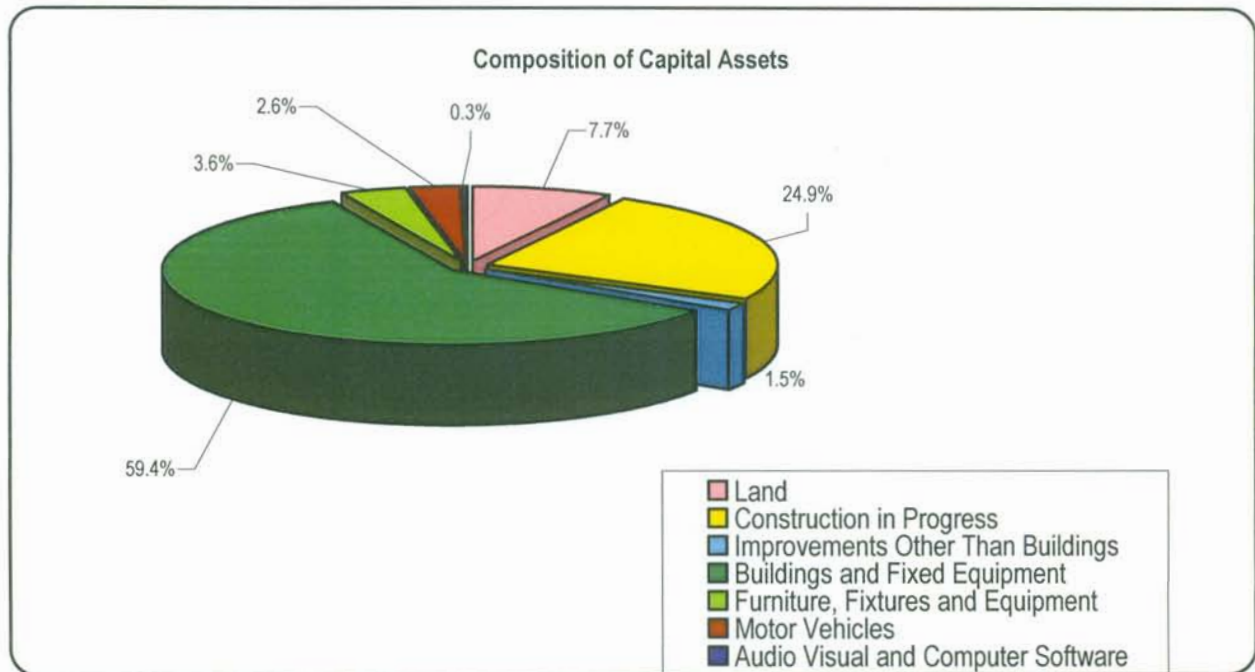
The District has \$573.1 million invested in capital assets net of depreciation, with virtually all of it attributed to governmental activities. Acquisitions for governmental activities totaled \$155.7 million and depreciation was \$22.0 million. This investment in capital assets includes: land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio-visual materials and computer software.

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

- The completion of two elementary schools
- The completion of two middle schools
- One elementary school and high school will be completed in December 2006.
- The District has started major renovations at one middle school.
- The District has started construction at two elementary schools, one middle school and one high school. These schools will open in the fall of 2007.

The following is a summary of the District's capital assets as of June 30, 2005 and June 30, 2006:

<b>Capital Assets (net of depreciation)</b>								
	<b>Governmental Activities</b>		<b>Business-type Activity</b>		<b>Total School District</b>		<b>% Change</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>		
Land	\$ 44,201,812	\$ 29,291,342	\$ -	\$ -	\$ 44,201,812	\$ 29,291,342	50.9%	
Construction in Progress	142,832,801	29,143,670	-	-	142,832,801	29,143,670	390.1%	
Improvements Other Than Buildings	8,547,819	8,154,065	7,272	-	8,555,091	8,154,065	4.9%	
Buildings and Fixed Equipment	340,100,553	339,306,279	33,496	-	340,134,049	339,306,279	0.2%	
Furniture, Fixtures and Equipment	20,428,359	19,477,803	226,523	87,929	20,654,882	19,565,732	5.6%	
Motor Vehicles	15,195,121	12,268,397	-	-	15,195,121	12,268,397	23.9%	
Audio Visual Materials	58,658	64,276	-	-	58,658	64,276	-8.7%	
Computer Software	1,767,450	1,591,018	34,497	-	1,801,947	1,591,018	13.3%	
<b>Total</b>	<b>\$ 573,132,573</b>	<b>\$ 439,296,850</b>	<b>\$ 301,788</b>	<b>\$ 87,929</b>	<b>\$ 573,434,361</b>	<b>\$ 439,384,779</b>	<b>30.5%</b>	



Since 1996 student enrollment has exceeded the District's seating capacity. The District's enrollment has grown steadily during the previous four years, averaging approximately 2,605 students or 4.95 percent each year. The District projections are that by the 2007 fiscal year, enrollment will reach 64,658. The District estimates that a total of twenty-three new schools will be needed over the next four years to relieve overcrowding and keep pace with student growth.

To keep up with student growth as well as relieve current overcrowding, the District has embarked on an ambitious school construction program. Longleaf and Seven Oaks Elementary Schools opened in the 2006 fiscal year. In August 2006, Gulf Highlands Elementary, Oakstead Elementary, Paul R Smith Middle and John Long Middle Schools opened. Two schools, Trinity Oaks Elementary and Wiregrass Ranch High School will open in January 2007. Five more schools: two elementary, one middle, and one high school are planned to open for the 2008 fiscal year. The District's ambitious construction schedule faces several significant challenges including: acquisition of land sites for schools, obtaining funding sources to finance construction of schools. Rising costs in construction contract, supplies and labor are a major concern.

The District has made several advances towards overcoming these challenges. On March 9, 2004, the citizens in Pasco County stood behind the District and voted to approve a sales surtax referendum. During this current year, sales tax collections totaled approximately \$17 million. In January 2007, the District plans to issue Sales Tax Bonds to finance construction of two schools at an estimated cost of \$88 million.

In addition, the Pasco County Commission voted 4-0 to increase school impact fee rates, which took effect July 1, 2005. The rate for a single family home was increased approximately 155 percent, from \$1,694 to \$4,314. During this current fiscal year, impact fee collections totaled approximately \$25 million. Impact fee proceeds are being used to purchase land for schools listed in our long term capital project plan.

The District is also reviewing a co-location strategy, which would partner two school sites with a neighboring county recreational complex and nature preserve in a new residential development. Co-locating schools with county facilities provides the opportunity for the District and county to share the costs of financing large meeting areas, parking spaces and athletic fields. Furthermore, due to limited land availability and its rapid appreciation, the District is reviewing alternatives such as building multistory schools. Multistory schools exponentially decrease the amount of land needed for a school site, by reducing the structure's footprint and the amount of land required to be set aside for storm water drainage. Additional information on the District's capital assets can be found in note 5 to the financial statements.

*Long-term Debt*

At the end of the current fiscal year, the District had total bonded debt outstanding of \$259,753,184. Outstanding at the end of the fiscal year was \$18,578,243 of bonds issued on behalf of the District by the State Board of Education (SBE) and backed by the full faith and credit of the State of Florida. \$3,397,782 represents district revenue bonds; \$10,400,000 is for general obligation bonds. The remainder of this debt represents \$227,377,159 in certificates of participation.

The following is a summary of the District's long-term bonded debt as of June 30, 2006:

<b><u>Outstanding Long-term Debt</u></b>			
	<b>Total School District</b>		<b>%</b>
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>Change</u></b>
SBE Bonds	\$ 18,578,243	\$ 19,755,035	-6.0%
District Revenue Bonds	3,397,782	3,470,188	-2.1%
General Obligation Bonds	10,400,000	15,250,000	-31.8%
Certificates of Participation	227,377,159	163,610,237	39.0%
<b>Total</b>	<b><u>\$ 259,753,184</u></b>	<b><u>\$ 202,085,460</u></b>	28.5%

During the current fiscal year, the District issued \$66,415,000 in certificates of participation to finance the construction of three elementary schools and one high school. Moody's Investors Service, Fitch Ratings and Standard & Poor's Rating Services assigned ratings of Aaa, AAA and AAA, respectively to the Series 2005 Certificates of Participation. In addition, Fitch Ratings and Standard & Poor's assigned underlying ratings of A and A, respectively. Additional information on the District's long-term debt can be found in notes 6 - 10 to the financial statements.

**For the Future**

At the time these basic financial statements were prepared and audited, the District was not aware of material instances that could significantly affect its financial health in the future. However, the future financial stability of the District is not without challenges.

The first challenge and continuous endeavor is for management to ensure resources can be preserved as long as possible. Management, as a tool to manage resources effectively, utilizes the general fund budget and the five-year capital outlay plan.

A second challenge facing the District is the local economy. It is important to note that if the growth patterns in student population change so a greater or lesser number of students enter the District than currently anticipated, adjustments will be made to the financial models upon which assumptions have been made. In addition, changes in economic conditions, such as an economic slowdown, could result in revenue forecasts being revised downward and a reduction in estimated funding sources.

**Requests for Information**

These financial statements are designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided or requests for additional financial information should be addressed to:

Director of Finance Services  
District School Board of Pasco County  
7227 Land O' Lakes Boulevard  
Land O' Lakes, Florida 34638

# **BASIC FINANCIAL STATEMENTS**

**District School Board of Pasco County**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government			Component Units
	Governmental Activities	Business-type Activity	Total	
<b>Assets:</b>				
Cash	\$ 18,217,276	\$ 13,904	\$ 18,231,180	\$ 933,160
Cash with Fiscal Agent	308,107	-	308,107	-
Investments	241,057,040	3,752,098	244,809,138	1,015,705
Accounts Receivable	4,215,210	58,231	4,273,441	152,347
Accrued Interest Receivable	143,266	-	143,266	-
Due From Other Agencies	31,859,083	-	31,859,083	111,946
Inventories	5,869,167	-	5,869,167	-
Prepaid Expenses	-	-	-	860,680
Deferred Charges	1,961,295	-	1,961,295	-
Capital Assets (net of accumulated depreciation):				
Land	44,201,812	-	44,201,812	300,483
Construction in Progress	142,832,801	-	142,832,801	-
Improvements Other Than Buildings	8,547,819	7,272	8,555,091	6,544
Leasehold Property and Improvements	-	-	-	116,566
Buildings and Fixed Equipment	340,100,553	33,496	340,134,049	1,081,127
Furniture, Fixtures and Equipment	20,428,359	226,523	20,654,882	220,414
Motor Vehicles	15,195,121	-	15,195,121	5,644
Audio Visual Materials	58,657	-	58,657	-
Computer Software	1,767,451	34,497	1,801,948	-
Total Assets	<u>876,763,017</u>	<u>4,126,021</u>	<u>880,889,038</u>	<u>4,804,616</u>
<b>Liabilities:</b>				
Salaries, Benefits and Payroll Taxes Pay	3,996,302	13,127	4,009,429	283,782
Payroll Deductions and Withholdings Pay	212,240	6,405	218,645	-
Accounts Payable	21,403,067	33,955	21,437,022	341,124
Contracts Payable	13,159,178	-	13,159,178	-
Retainage Payable on Contracts	7,810,160	-	7,810,160	-
Sales Tax Payable	1,445	-	1,445	-
Deposits Payable	4,480	-	4,480	-
Due to Other Agencies	238,803	-	238,803	-
Deferred Revenue	4,678,147	-	4,678,147	-
Accrued Interest Payable	2,652,524	-	2,652,524	-
<b>Portion Due Within One Year:</b>				
Notes Payable	-	-	-	106,118
Obligations Under Capital Leases	-	-	-	13,249
Bonds Payable	6,416,371	-	6,416,371	-
Certificates of Participation Payable	5,011,532	-	5,011,532	-
Long-Term Claims	2,148,009	-	2,148,009	-
Compensated Absences Payable	17,585,674	513,695	18,099,369	41,095
<b>Portion Due After One Year:</b>				
Notes Payable	-	-	-	895,820
Obligations Under Capital Leases	-	-	-	49,943
Bonds Payable	25,959,654	-	25,959,654	-
Certificates of Participation Payable	222,365,627	-	222,365,627	-
Compensated Absences Payable	15,813,489	-	15,813,489	-
Long-Term Claims	5,401,862	-	5,401,862	-
Total Liabilities	<u>354,858,564</u>	<u>567,182</u>	<u>355,425,746</u>	<u>1,731,131</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	378,990,397	301,788	379,292,185	743,909
Restricted for:				
Categorical Programs	14,891,173	-	14,891,173	-
Food and Nutrition Services	1,300,164	-	1,300,164	-
Debt Service	11,960,112	-	11,960,112	-
Capital Projects	82,942,633	-	82,942,633	-
Other Purposes	-	-	-	2,161,966
Unrestricted	31,819,974	3,257,051	35,077,025	167,610
Total Net Assets	<u>\$ 521,904,453</u>	<u>\$ 3,558,839</u>	<u>\$ 525,463,292</u>	<u>\$ 3,073,485</u>

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

**District School Board of Pasco County**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities:				
Instruction	\$ 285,454,884	\$ 184,065	\$ -	\$ -
Pupil Personnel Services	23,764,750	-	-	-
Instructional Media Services	9,456,379	-	-	-
Inst. and Curriculum Development Services	9,088,378	-	-	-
Instructional Staff Training	8,052,983	-	-	-
Instructional Related Technology	4,210,967	-	-	-
Board of Education	1,643,566	-	-	-
General Administration	2,169,506	-	-	-
School Administration	27,011,932	-	-	-
Facilities Acquisition and Construction	9,250,352	-	-	36,079,962
Fiscal Services	2,185,931	-	-	-
Food Services	25,144,171	11,271,276	13,691,478	-
Central Services	3,548,220	-	-	-
Pupil Transportation Services	22,880,871	654,925	14,442,157	-
Operation of Plant	35,355,100	-	-	-
Maintenance of Plant	11,565,861	-	-	-
Administrative Technology Services	1,704,019	-	-	-
Community Services	690,445	-	-	-
Interest on Long-term Liabilities	11,446,561	-	-	2,121,752
Total Governmental Activities	<u>494,624,876</u>	<u>12,110,266</u>	<u>28,133,635</u>	<u>38,201,714</u>
Business-type Activity:				
PLACE Program	6,931,797	7,057,611	-	-
Total Primary Government	<u>\$ 501,556,673</u>	<u>\$ 19,167,877</u>	<u>\$ 28,133,635</u>	<u>\$ 38,201,714</u>
Component Units	<u>\$ 6,395,086</u>	<u>\$ 143,984</u>	<u>\$ 8,448</u>	<u>\$ 48,002</u>

**General Revenues:**

## Taxes:

Property Taxes, Levied for Operational Purposes  
Property Taxes, Levied for Debt Service  
Property Taxes, Levied for Capital Projects  
Local Sales Taxes  
Florida Education Finance Program  
Grants and Contributions not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  
Total General Revenues  
Change in Net Assets  
Net Assets, Beginning  
Net Assets, Ending

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (285,270,819)	\$ -	\$ (285,270,819)	\$ -
(23,764,750)	-	(23,764,750)	-
(9,456,379)	-	(9,456,379)	-
(9,088,378)	-	(9,088,378)	-
(8,052,983)	-	(8,052,983)	-
(4,210,967)	-	(4,210,967)	-
(1,643,566)	-	(1,643,566)	-
(2,169,506)	-	(2,169,506)	-
(27,011,932)	-	(27,011,932)	-
26,829,610	-	26,829,610	-
(2,185,931)	-	(2,185,931)	-
(181,417)	-	(181,417)	-
(3,548,220)	-	(3,548,220)	-
(7,783,789)	-	(7,783,789)	-
(35,355,100)	-	(35,355,100)	-
(11,565,861)	-	(11,565,861)	-
(1,704,019)	-	(1,704,019)	-
(690,445)	-	(690,445)	-
(9,324,809)	-	(9,324,809)	-
<u>(416,179,261)</u>	<u>-</u>	<u>(416,179,261)</u>	<u>-</u>
-	125,814	125,814	-
<u>(416,179,261)</u>	<u>125,814</u>	<u>(416,053,447)</u>	<u>-</u>
-	-	-	(6,194,652)
116,114,859	-	116,114,859	-
5,506,507	-	5,506,507	-
28,960,352	-	28,960,352	-
17,137,576	-	17,137,576	-
200,638,043	-	200,638,043	-
93,142,151	-	93,142,151	6,629,411
12,144,845	169,708	12,314,553	8,063
22,049,977	-	22,049,977	-
<u>495,694,310</u>	<u>169,708</u>	<u>495,864,018</u>	<u>6,637,474</u>
79,515,049	295,522	79,810,571	442,822
442,389,404	3,263,317	445,652,721	2,630,663
<u>\$ 521,904,453</u>	<u>\$ 3,558,839</u>	<u>\$ 525,463,292</u>	<u>\$ 3,073,485</u>

**District School Board of Pasco County**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	Major Funds				Total Governmental Funds
	General	Capital Projects		Nonmajor Governmental Funds	
	Primary Operating Fund	Public Education Capital Outlay Funds	Other Funds		
<b>Assets:</b>					
Cash	\$ 17,777,896	\$ -	\$ -	\$ 128,027	\$ 17,905,923
Cash with Fiscal Agent	-	-	-	311,353	311,353
Investments	36,890,105	3,967,931	127,372,199	40,183,367	208,413,602
Accounts Receivable	3,641,807	-	-	43,507	3,685,314
Accrued Interest Receivable	-	-	64,743	78,523	143,266
Due from Other Funds	2,781,266	-	-	-	2,781,266
Due from Internal Accounts	274,676	-	-	-	274,676
Due from Other Agencies	4,563,327	4,390,550	18,024,632	4,605,898	31,584,407
Inventories	4,686,031	-	-	1,142,787	5,828,818
<b>Total Assets</b>	<b>70,615,108</b>	<b>8,358,481</b>	<b>145,461,574</b>	<b>46,493,462</b>	<b>270,928,625</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Salaries, Benefits and Payroll Taxes Payable	3,776,215	-	-	220,087	3,996,302
Payroll Deductions and Withholdings Payable	159,038	-	-	52,765	211,803
Accounts Payable	13,292,305	34,638	3,880,778	532,552	17,740,273
Construction Contracts Payable	-	716,840	12,283,633	158,705	13,159,178
Construction Contracts Retainage Payable	-	644,654	7,127,186	38,320	7,810,160
Accrued Interest Payable	-	-	-	5,360	5,360
Deposits Payable	4,480	-	-	-	4,480
Sales Tax Payable	1,445	-	-	-	1,445
Due to Other Funds	-	-	-	2,781,266	2,781,266
Due to Other Agencies	-	-	-	238,803	238,803
Deferred Revenue	-	4,390,550	-	173,947	4,564,497
<b>Total Liabilities</b>	<b>17,233,483</b>	<b>5,786,682</b>	<b>23,291,597</b>	<b>4,201,805</b>	<b>50,513,567</b>
<b>Fund Balances:</b>					
Reserved for:					
Categorical Programs	10,357,525	-	4,533,648	-	14,891,173
Encumbrances	12,154,531	2,382,728	65,502,251	11,903,628	91,943,138
Compensated Absences	4,216,013	-	-	-	4,216,013
Contingencies	3,990,586	-	-	-	3,990,586
Unreserved:					
Designated for:					
Debt Service	-	-	-	14,607,276	14,607,276
Capital Projects	-	189,071	52,134,078	14,668,294	66,991,443
Food Services	-	-	-	1,112,459	1,112,459
Undesignated	22,662,970	-	-	-	22,662,970
<b>Total Fund Balances</b>	<b>53,381,625</b>	<b>2,571,799</b>	<b>122,169,977</b>	<b>42,291,657</b>	<b>220,415,058</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 70,615,107</b>	<b>\$ 8,358,481</b>	<b>\$ 145,461,574</b>	<b>\$ 46,493,462</b>	<b>\$ 270,928,625</b>

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

**District School Board of Pasco County**  
**Reconciliation of the Balance Sheet for Governmental Funds**  
**to the Statement of Net Assets**  
**For the Fiscal Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of net assets (page 17)  
are different because:

Total fund balances for total governmental funds (page 20).	\$	220,415,058
Capital assets, net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Non-Depreciable Assets	\$	44,201,812
Depreciable Assets		528,840,501
		573,042,313
Long-term liabilities, including bonds payable, certificates of participation and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds Payable		(32,400,000)
Certificates of Participation		(227,353,184)
Compensated Absences Payable		(33,058,362)
		(292,811,546)
Interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(2,647,164)
Governmental funds report the effect of issuance and refunding costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are reported as deferred assets in the statement of net assets and amortized over the life of the debt. This amount is the net effect between the differences in the treatments of the issuance of long-term debt and related costs.		1,961,295
Internal service funds are used by management to charge the cost 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.		21,944,497
Total net assets of governmental activities (page 17).	\$	521,904,453

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

**District School Board of Pasco County  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	Major Funds					Total Governmental Funds	
	General Primary Operating Fund	Public Education Capital Outlay Funds			Other Funds		Nonmajor Governmental Funds
		Capital Projects					
<b>Revenues:</b>							
Federal Sources:							
Federal Direct	\$ 536,422	\$ -	\$ -	\$ -	\$ 5,585,010	\$ 6,121,432	
Federal Through State	1,627,533	-	-	-	30,894,130	32,521,663	
Federal Through Local	-	-	-	-	891,163	891,163	
Food Services	-	-	-	-	13,241,412	13,241,412	
State Sources:							
Florida Education Finance Program	200,638,043	-	-	-	-	200,638,043	
Public Education Capital Outlay	-	6,276,697	-	-	-	6,276,697	
Class Size Reduction Capital Outlay	-	-	3,967,867	-	-	3,967,867	
Food Services	-	-	-	-	450,066	450,066	
CO & DS Withheld for State Education Bonds	-	-	-	-	2,089,345	2,089,345	
Racing Commission Funds	-	-	-	-	223,250	223,250	
CO & DS Distributed	-	-	-	-	445,017	445,017	
State Grants and Other	68,050,051	-	-	-	32,407	68,082,458	
Local Sources:							
Property Taxes	116,114,859	-	-	-	34,466,859	150,581,718	
Local Sales Taxes	-	-	17,137,576	-	-	17,137,576	
Impact Fees	-	-	25,167,131	-	-	25,167,131	
Food Services	-	-	-	-	11,218,023	11,218,023	
Investment Earnings	2,057,068	36,674	7,929,202	-	2,096,259	12,119,203	
Local Grants and Other	10,280,438	-	8,793,668	-	31,518	19,105,624	
<b>Total Revenues</b>	<b>399,304,414</b>	<b>6,313,371</b>	<b>62,995,444</b>	<b>101,664,459</b>	<b>570,277,688</b>		
<b>Expenditures:</b>							
Current-Education:							
Instruction	244,860,586	-	-	-	22,861,936	267,722,522	
Pupil Personnel Services	20,394,217	-	-	-	3,208,424	23,602,641	
Instructional Media Services	8,956,001	-	-	-	218,478	9,174,479	
Inst. and Curriculum Development Services	5,747,917	-	-	-	3,307,227	9,055,144	
Instructional Staff Training	5,172,413	-	-	-	3,342,433	8,514,846	

	Major Funds					Total Governmental Funds
	General Primary Operating Fund	Capital Projects			Nonmajor Governmental Funds	
		Public Education Capital Outlay Funds	Other Funds			
<b>Expenditures (continued):</b>						
Instructional Related Technology	3,579,288	-	-	-	22,316	3,601,604
Board of Education	1,694,729	-	-	-	-	1,694,729
General Administration	1,055,947	-	-	-	639,059	1,695,006
School Administration	27,010,658	-	-	-	1,099	27,011,757
Facilities Acquisition and Construction	1,741,008	45,960	377,500	-	3,648,637	5,813,105
Fiscal Services	2,162,489	-	-	-	67,561	2,230,050
Food Services	99,238	-	-	-	24,957,916	25,057,154
Central Services	6,805,584	-	-	-	291,988	7,097,572
Pupil Transportation Services	21,528,946	-	-	-	298,861	21,827,807
Operation of Plant	35,045,464	-	-	-	11,770	35,057,234
Maintenance of Plant	11,143,768	-	-	-	47,602	11,191,370
Administrative Technology Services	1,704,019	-	-	-	-	1,704,019
Community Services	557,330	-	-	-	157,161	714,491
Capital Outlay:						
Facilities Acquisition and Construction	-	9,755,630	123,361,630	-	19,129,062	152,246,322
Other Capital Outlay	918,808	-	-	-	2,502,474	3,421,282
Debt Service:						
Principal	-	-	-	-	10,060,000	10,060,000
Interest	-	-	-	-	8,850,650	8,850,650
Fiscal Charges	-	-	-	-	3,206,317	3,206,317
Total Expenditures	400,178,410	9,801,590	123,739,130	-	106,830,971	640,550,101
Excess (Deficiency) of Revenues Over Expenditures	(873,996)	(3,488,219)	(60,743,686)	-	(5,166,512)	(70,272,413)
<b>Other Financing Sources (Uses):</b>						
Premium on Certificates of Participation Issued	-	-	66,785,612	-	1,047,842	67,833,454
Proceeds from the Sale of Capital Assets	236,031	-	-	-	-	236,031
Transfers In	1,339,073	-	26,425,882	-	14,212,525	41,977,480
Transfers Out	-	-	(27,764,955)	-	(14,412,525)	(42,177,480)
Total Other Financing Sources (Uses)	1,575,104	-	65,446,539	-	847,842	67,869,485
Net Change in Fund Balances	701,108	(3,488,219)	4,702,853	-	(4,318,670)	(2,402,928)
Fund Balances, Beginning	52,680,517	6,060,018	117,467,124	-	46,610,327	222,817,986
Fund Balances, Ending	\$ 53,381,625	\$ 2,571,799	\$ 122,169,977	\$	\$ 42,291,657	\$ 220,415,058

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

**District School Board of Pasco County  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances for Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

Amounts reported for governmental activities on the statement of activities (pages 18 & 19) are different because:

Net change in fund balances for total governmental funds (page 23).	\$	(2,402,928)
---	----	-------------

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of these assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay - Facilities and Construction - Governmental Funds	\$	155,667,604	
Loss on Disposal of Capital Assets		(822,993)	
Depreciation Expense		<u>(22,041,287)</u>	132,803,324

The refunding and issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	(56,676,321)
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Capital assets donated 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.	940,995
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The increase in compensated absences is reported in the change in net assets, but not in the net change in fund balances.	(1,684,650)
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Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities.	(486,728)
--	-----------

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net change in assets of internal service funds is reported with governmental activities.	7,021,357
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Change in net assets of governmental activities (pages 18 & 19).	\$	<u><u>79,515,049</u></u>
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The notes to the financial statements are an integral part of this statement.

**District School Board of Pasco County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General - Primary Operating Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>Revenues:</b>				
Federal Sources:				
Federal Direct	\$ 846,348	\$ 516,641	\$ 536,422	\$ 19,781
Federal Through State	1,050,000	1,659,720	1,627,533	(32,187)
State Sources:				
Florida Education Finance Program	210,022,943	200,638,046	200,638,043	(3)
State Grants and Other	69,402,855	68,483,405	68,050,051	(433,354)
Local Sources:				
Property Taxes	113,129,515	115,958,662	116,114,859	156,197
Investment Earnings	1,000,000	2,104,449	2,057,068	(47,381)
Local Grants and Other	7,579,825	10,783,726	10,280,438	(503,288)
Total Revenues	<u>403,031,486</u>	<u>400,144,649</u>	<u>399,304,414</u>	<u>(840,235)</u>
<b>Expenditures:</b>				
Current-Education:				
Instruction	270,758,532	266,742,890	244,860,586	21,882,304
Pupil Personnel Services	19,835,679	20,743,954	20,394,217	349,737
Instructional Media Services	9,166,262	9,244,008	8,956,001	288,007
Inst. and Curriculum Development Services	5,630,581	6,269,564	5,747,917	521,647
Instructional Staff Training	5,470,361	5,714,488	5,172,413	542,075
Instructional Related Technology	3,284,279	3,581,199	3,579,288	1,911
Board of Education	1,081,555	1,698,913	1,694,729	4,184
General Administration	692,958	1,138,442	1,055,947	82,495
School Administration	26,145,052	27,879,907	27,010,658	869,249
Facilities Acquisition and Construction	1,567,799	2,834,871	1,741,008	1,093,863
Fiscal Services	1,807,383	2,245,998	2,162,489	83,509
Food Services	-	158,403	99,238	59,165
Central Services	8,720,302	7,235,304	6,805,584	429,720
Pupil Transportation Services	20,628,019	22,439,998	21,528,946	911,052
Operation of Plant	34,742,435	36,300,204	35,045,464	1,254,740
Maintenance of Plant	11,334,942	11,764,445	11,143,768	620,677
Administrative Technology Service	-	2,161,978	1,704,019	457,959
Community Services	618,099	744,835	557,330	187,505
Capital Outlay:				
Other Capital Outlay	-	918,808	918,808	-
Total Expenditures	<u>421,484,238</u>	<u>429,818,209</u>	<u>400,178,410</u>	<u>29,639,799</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,452,752)</u>	<u>(29,673,560)</u>	<u>(873,996)</u>	<u>28,799,564</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Capital Assets	150,000	236,031	236,031	-
Transfers In	-	1,339,073	1,339,073	-
Net Change in Fund Balance	<u>(18,302,752)</u>	<u>(28,098,456)</u>	<u>701,108</u>	<u>28,799,564</u>
Fund Balance, Beginning	<u>52,680,517</u>	<u>52,680,517</u>	<u>52,680,517</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 34,377,765</u>	<u>\$ 24,582,061</u>	<u>\$ 53,381,625</u>	<u>\$ 28,799,564</u>

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

**District School Board of Pasco County**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	<b>Business-type Activity</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Assets:</b>		
Current Assets:		
Cash	\$ 13,904	\$ -
Cash with Fiscal Agent	-	308,107
Investments	3,752,098	32,643,438
Accounts Receivable	58,231	529,896
Inventories	-	40,349
Total Current Assets	<u>3,824,233</u>	<u>33,521,790</u>
Long-term Assets:		
Capital Assets (net of accumulated depreciation):		
Improvements Other Than Buildings	7,272	-
Buildings and Fixed Equipment	33,496	-
Furniture, Fixtures and Equipment	226,523	90,262
Software	34,497	-
Total Long-term Assets	<u>301,788</u>	<u>90,262</u>
Total Assets	<u>4,126,021</u>	<u>33,612,052</u>
<b>Liabilities:</b>		
Current Liabilities:		
Salaries, Benefits and Payroll Taxes Payable	13,127	-
Payroll Deductions and Withholdings Payable	6,405	437
Accounts Payable	33,955	3,662,796
Deferred Revenues	-	113,650
Current Portion of Compensated Absences	513,695	124,550
Current Portion of Long-term Unpaid Claims	-	5,401,862
Total Current Liabilities	<u>567,182</u>	<u>9,303,295</u>
Long-term Liabilities:		
Compensated Absences	-	216,251
Estimated Long-term Unpaid Claims	-	2,148,009
Total Long-term Liabilities	<u>-</u>	<u>2,364,260</u>
Total Liabilities	<u>567,182</u>	<u>11,667,555</u>
<b>Net Assets:</b>		
Invested in Capital Assets	301,788	90,262
Unrestricted	3,257,051	21,854,235
Total Net Assets	<u>\$ 3,558,839</u>	<u>\$ 21,944,497</u>

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

**District School Board of Pasco County**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Business-type Activity</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Operating Revenues:</b>		
Insurance Premiums:		
Board Contributions	\$ -	\$ 49,854,188
Employees	-	5,680,686
Retirees	-	2,461,222
Charges for Services Provided	7,057,611	11,031,153
Other Receipts	-	1,013,634
Total Operating Revenues	7,057,611	70,040,883
<b>Operating Expenses:</b>		
Salaries	4,171,737	1,064,398
Employee Benefits	1,415,622	631,363
Purchased Services	262,547	6,777,908
Insurance Premiums	-	37,973,314
Insurance Claims	-	11,125,064
Energy Services	334,375	8,365,484
Materials and Supplies	330,610	185,401
Capital Outlay	179,430	13,429
Other	206,899	-
Depreciation	30,577	4,408
Total Operating Expenses	6,931,797	66,140,769
Operating Income	125,814	3,900,114
<b>Nonoperating Revenues (Expenses):</b>		
Investment Earnings	169,708	917,249
Loss Recoveries	-	2,003,994
Total Nonoperating Revenues	169,708	2,921,243
(Expenses)	169,708	2,921,243
Income Before Transfers	295,522	6,821,357
Transfers In	-	200,000
Change in Net Assets	295,522	7,021,357
Net Assets, Beginning	3,263,317	14,923,140
Net Assets, Ending	\$ 3,558,839	\$ 21,944,497

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

**District School Board of Pasco County**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Business-type Activity</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customers and Users	\$ 7,095,562	\$ -
Receipts from Interfund Services Provided	-	68,958,321
Payments for Insurance Claims	-	(10,953,620)
Payments to Suppliers	(1,287,297)	(53,083,879)
Payments to Employees	(5,509,721)	(1,647,378)
Other Receipts (Payments)	-	1,013,633
Net Cash Provided by Operating Activities	<u>298,544</u>	<u>4,287,077</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Transfers In	-	200,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>200,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	(244,437)	(94,543)
Loss Recoveries	-	2,003,994
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(244,437)</u>	<u>1,909,451</u>
<b>Cash Flows from Investing Activities:</b>		
Investment Earnings	169,708	917,249
Net Cash Provided by Investing Activities	<u>169,708</u>	<u>917,249</u>
Net Change in Cash and Cash Equivalents	223,815	7,313,778
Cash and Cash Equivalents, Beginning	3,542,187	25,637,768
Cash and Cash Equivalents, Ending	<u><u>3,766,002</u></u>	<u><u>32,951,546</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	125,814	3,900,114
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	30,577	4,408
Change in Assets and Liabilities:		
(Increase) in Accounts Receivable	37,951	(68,962)
inventories	-	(9,120)
Increase (decrease) Salaries, Benefits and Payroll Taxes Payable	(7,991)	-
Increase (decrease) Payroll Deductions and Withholdings Payable	(8,093)	(2,640)
Increase (decrease) in Accounts Payable	26,565	(306,938)
Deferred Revenues	-	15,278
Increase (decrease) in Compensated Absences Payable	93,721	50,128
Estimated Long-term Unpaid Claims	-	704,809
Total Adjustments	<u>172,730</u>	<u>386,963</u>
Net Cash Provided by Operating Activities	<u><u>\$ 298,544</u></u>	<u><u>\$ 4,287,077</u></u>

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

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**District School Board of Pasco County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<u>Private-purpose Trust</u>	<u>Pension Trust</u>	<u>Agency</u>
<b>Assets:</b>			
Cash	\$ -	\$ -	5,089,648
Investments			
Collateralized Mortgage Obligations	-	4,456,335	-
Investment in State Board of Administration Pool	25,652	2,673,936	25,093
Money Market	-	41,362	-
Accounts Receivable	-	-	25,525
Interest Receivable	-	58,541	-
Prepaid Expenses	-	-	9,715
Inventories	-	-	65,431
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 25,652</u>	<u>\$ 7,230,174</u>	<u>\$ 5,215,412</u>
<b>Liabilities:</b>			
Accounts Payable	-	2,250	327,728
Internal Accounts Payable	-	-	4,862,591
ABC Program Payable	-	-	25,093
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>-</u>	<u>2,250</u>	<u>\$ 5,215,412</u>
<b>Net Assets:</b>			
Held in Trust for Medical Benefits	25,652	-	
Held in Trust for Pension Benefits	-	7,227,924	
	<u>          </u>	<u>          </u>	
Total Net Assets	<u>\$ 25,652</u>	<u>\$ 7,227,924</u>	

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

**District School Board of Pasco County**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<b>Private-purpose Trust</b>	<b>Pension Trust</b>
<b>Additions:</b>		
Employer Contributions	\$ -	\$ 1,202,825
Investment Earnings:		
Interest	1,065	353,254
Net Decrease in Fair Value of Investments	-	(236,614)
Net Investment Earnings	1,065	116,640
Total Additions	1,065	1,319,465
<b>Deductions:</b>		
Purchased Services	173	609,545
Administrative Expense	-	1,600
Total Deductions	173	611,145
Change in Net Assets	892	708,320
Net Assets, Beginning	24,760	6,519,604
Net Assets, Ending	<u>\$ 25,652</u>	<u>\$ 7,227,924</u>

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

**DISTRICT SCHOOL BOARD OF PASCO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ Reporting Entity

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Pasco County School District is considered part of the Florida system of public education. The governing body of the school district is the Pasco County District School Board which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Pasco 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 unit(s) are included within the District School Board's reporting entity:

- Blended Component Unit. The Pasco County School Board Leasing Corporation, Inc., was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. In prior years, the District entered into agreements with the Florida School Board Association for similar purposes. All of the District's agreements with the Florida School Boards Association were irrevocably assigned to the Leasing Corporation on March 1, 2004. Due to the substantive economic relationship between the Pasco County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- Discretely Presented Component Units. The component unit(s) columns in the basic financial statements, Exhibits A and B, include consolidated financial data for Academy at the Farm, Inc.; Countryside Montessori Charter School, Inc (the "Montessori Center"); Dayspring Academy for Education and the Arts (the "Dayspring Academy"); The Language Academy Charter School, Inc (the "Language Academy") and the Pasco Education Foundation, Inc. (the "Foundation").
- The School Board has entered into charters with Academy at the Farm, Inc.; Montessori Charter; Dayspring Academy; and Language Academy charter schools. The charters were created pursuant to authority established by Section 1002.33, Florida Statutes. Charter schools are publicly financed, small and specialized schools, which operate under the auspices of the School Board. The charters between the School Board and charter schools allow School Board administrators a limited role in monitoring charter schools' finances, business operations and student progress, and little participation in its teaching practices. The charter schools receive funding similar to other public schools in the District.

**DISTRICT SCHOOL BOARD OF PASCO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

- ◇ Academy at the Farm, Inc., focuses on creatively integrating equestrian, horticultural and farm animal components into an interactive, inclusive learning environment.
- ◇ Montessori Charter Center provides an alternative elementary education program.
- ◇ Dayspring Academy emphasizes the fine arts, offering students specialized instruction in dance, music, and art.
- ◇ Language Academy's focus is to create an atmosphere where language and content learning are reinforced in a variety of modalities.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest and administer property and to make expenditures to or for the benefit of the District.

Annual audits for each discretely presented component unit's financial statements are conducted by independent certified public accountants. Complete financial statements may be obtained at the component unit's administrative offices.

Academy at the Farm, Inc. 9629 Handcart Road Dade City, FL 33525

Countryside Montessori Charter School, Inc. 21404 Carson Drive Land O' Lakes, FL 34638

Dayspring Academy for Education and the Arts 8911 Ponderosa Avenue Port Richey, FL 34668

Language Academy Charter School, Inc 4125 U.S. Highway 19 New Port Richey, FL 34652

Pasco Education Foundation, Inc. P O Box 1248 Land O' Lakes, FL 34638

➤ 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. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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

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

**DISTRICT SCHOOL BOARD OF PASCO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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 – Public Education Capital Outlay (PECO) Fund – to account for the financial resources received from the State Public Education Capital Outlay Debt Service Trust for the construction and maintenance of schools.
- Capital Projects – Other Funds – to account for other miscellaneous funds from various sources which are restricted for capital outlay purposes.

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

- Enterprise Fund – Pasco Learning and Activity Centers of Enrichment (PLACE) – to account for the financial resources of the District's PLACE programs, a before and after school child care program.
- Internal Service Funds – to account for the District's fully insured programs for employees' group health; individual self-insurance programs for property, casualty, liability, workers' compensation, and pharmacy program; graphics services, the energy management center; and exclusive agreements administered by the School Board.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Private-Purpose Trust Fund – to account for resources legally held in the Baertschi Trust and administered by the District's Student Services Department devoted to providing financial assistance for medical care benefits to students in Pasco County. All resources of the fund, including any earnings on invested resources may be used to support qualifying activities. There is no requirement that any portion of these resources be preserved as capital.
- 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; and the Assist Believe and Care (ABC) program which is funded by employee and public donations, which are used to assist financially disadvantaged students in the District's schools.

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➤ 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise and internal service funds are from services provided for before and after school child care and charges for employee health insurance premiums. The principal operating expenses for the enterprise and internal service funds include salaries and benefits, administrative expenses, claims, and insurance premiums for excess coverage. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The Pasco 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.

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➤ Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash and cash equivalents as those accounts used as demand deposit accounts, all highly liquid investments with an original maturity of three months or less, and cash held by fiscal agents.

Investments consist of 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. This 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 and bond mutual funds, corporate debt obligations, and collateralized mortgage obligations and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. The valuation of the inventories is based on various methods and is presented at the lower of cost or market. Warehouse (including purchased foods and supplies used by the District's Food and Nutrition Service), maintenance and transportation items are based on a weighted average. Technology Services items and inventory kept at the schools (mainly bookstore and concession stand supplies) are specifically identified and stated at actual cost. Telecommunications and print center inventory items are stated at last invoice price, which approximates the first-in, first-out basis. The United States Department of Agriculture surplus commodities are specifically identified and stated at fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than when purchased.

➤ 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 \$750. 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, 1972, are stated at estimated historical cost

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using price levels at the time of acquisition and, as a result, \$1,348,251 of stated land values and \$15,047,877 of stated building values are based on these estimates.

Normal maintenance and repair costs that do not materially increase the value of assets or extend the useful life of assets are not capitalized. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the costs of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	10 -40 years
Furniture, Fixtures, and Equipment	6 years
Motor Vehicles	5 years
Audio Visual Materials and Computer Software	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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts on debt issuances are reported as other financing sources and 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 to the extent, if any, that compensated absences are due and payable to terminated employees.

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

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➤ State Revenue Sources

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the lottery-funded Public School Capital Outlay Program (commonly called the Classrooms First Program). The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Classrooms First 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 Pasco County Property Appraiser, and property taxes are collected by the Pasco County Tax Collector.

The School Board adopted the 2005 tax levy on September 13, 2005. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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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 Pasco County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ Federal Revenue Sources

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

## **2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- 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.

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**3. INVESTMENTS**

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

<u>Investments</u>	<u>Fair Value</u>	<u>Investments At Maturities</u>		
		<u>Are Less than</u>		
		<u>6 Months</u>	<u>1 Year</u>	<u>2 Years</u>
State Board of Administration				
Debt Service Account	\$ 443,088	\$ 443,088		
State Board of Administration - Local				
Government Surplus Funds Trust Fund	183,445,154	183,445,154		
Wachovia Public Funds - State and Municipal				
Money Market	2,972,723	2,972,723		
Obligations of United States Government				
Agencies and Instrumentalities	44,724,868	42,426,788	\$ 1,981,310	\$ 316,770
The Core Fund	15,947,986	15,947,986		
Collateralized Mortgage Obligations	4,497,697	41,362	11,421	4,444,914
Total Investments, Primary Government	<u>\$ 252,031,516</u>	<u>\$ 245,277,101</u>	<u>\$ 1,992,731</u>	<u>\$ 4,761,684</u>

The District also held invested funds on deposit in the operating account in the amount of \$18,655,000 in a money market mutual fund pursuant to a master banking services agreement with a financial institution. These investments ranged daily up to \$8,005,677 with an average monthly investment of \$5,361,785.

**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 authorizes investments in securities exceeding one year if the maturities of such investments are made to coincide as nearly as practical 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, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy authorizes the District to participate in the State Board of Administration Investment Pool. The policy authorizes the District to invest in interest-bearing time deposits or savings accounts, direct obligations of the United States Treasury, money market funds with the Securities and Exchange Commission, and United States government funds registered under the Investment Act of 1940. The policy further provides that the securities shall only be purchased from financial institutions, which are qualified as public depositories by the Treasurer of the State of Florida, or Florida based

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regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1, or from primary security dealers as designated by the Federal Reserve of New York.

- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- As of June 30, 2006, the District's investment in the State Board of Administration Investment Pool, the State Board of Education Bond Investment Funds and the Wachovia Public Funds- State and Municipal Money Market mutual fund were unrated.
- The District's investment in the Wertz York Short-term Government Bond Mutual Fund (Core Fund) was rated AA Af/S1+ by Standard and Poor's. Investments in the Collateralized Mortgage Obligations were rated AAA by Bloomberg.

Concentration of Credit Risk

- The District's investment policy places no limit on the amount that may be invested in any one issuer; however, the policy does provide that certain market conditions require investment in certain securities over other investments under different market conditions. It is the policy of the District to diversify its investment portfolio to protect against issuer defaults.

**4. RECEIVABLES**

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

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities on the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2006, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Public Education Capital Outlay Funds Appropriated for the District	\$ 4,390,550	\$ -
Prepaid Retiree Health and Life Insurance Premium	-	113,649
Food and Nutrition Services Program Prepaid Meals	-	173,947
<b>Total Deferred Revenue for Government Funds</b>	<b>\$ 4,390,550</b>	<b>\$ 287,596</b>

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

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	Balance 6-30-05	Additions	Deletions	Balance 6-30-06
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 29,291,342	\$ 14,912,122	\$ 1,652	\$ 44,201,812
Construction in Progress	29,134,420	128,016,049	14,317,668	142,832,801
Total Capital Assets Not Being Depreciated	<u>58,425,762</u>	<u>142,928,171</u>	<u>14,319,320</u>	<u>187,034,613</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	27,718,136	1,142,396	-	28,860,532
Buildings and Fixed Equipment	544,969,409	14,317,668	-	559,287,077
Furniture, Fixtures, and Equipment (1)	57,161,343	6,659,522	5,154,467	58,666,398
Motor Vehicles	26,624,855	5,356,589	1,766,855	30,214,589
Audio Visual Materials	220,470	12,520	781	232,209
Computer Software	5,403,475	623,479	16,723	6,010,231
Total Capital Assets Being Depreciated	<u>662,097,688</u>	<u>28,112,174</u>	<u>6,938,826</u>	<u>683,271,036</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	19,564,071	748,642	-	20,312,713
Buildings and Fixed Equipment	205,663,129	13,523,395	-	219,186,524
Furniture, Fixtures, and Equipment (1)	37,692,554	5,086,410	4,540,925	38,238,039
Motor Vehicles	14,356,458	2,228,051	1,565,041	15,019,468
Audio Visual Materials	156,194	18,060	702	173,552
Computer Software	3,812,458	436,730	6,408	4,242,780
Total Accumulated Depreciation	<u>281,244,864</u>	<u>22,041,288</u>	<u>6,113,076</u>	<u>297,173,076</u>
Total Capital Assets Being Depreciated, Net	<u>380,852,824</u>	<u>6,070,886</u>	<u>825,750</u>	<u>386,097,960</u>
Governmental Activities Capital Assets, Net	<u>\$ 439,278,586</u>	<u>\$ 148,999,057</u>	<u>\$ 15,145,070</u>	<u>\$ 573,132,573</u>

Note (1) Includes Internal Service Fund assets of \$95,831 and \$5,551 of accumulated depreciation.

**BUSINESS-TYPE ACTIVITIES**

Capital Assets Being Depreciated:				
Improvements Other Than Buildings	\$ -	\$ 7,424	\$ -	\$ 7,424
Buildings and Fixed Equipment	-	34,575	-	34,575
Furniture, Fixtures, and Equipment	177,214	165,433	4,947	337,700
Computer Software	-	37,909	-	37,909
Total Capital Assets Being Depreciated	<u>177,214</u>	<u>245,341</u>	<u>4,947</u>	<u>417,608</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	-	152	-	152
Buildings and Fixed Equipment	-	1,079	-	1,079
Furniture, Fixtures, and Equipment	89,285	26,344	4,452	111,177
Computer Software	-	3,412	-	3,412
Total Accumulated Depreciation	<u>89,285</u>	<u>30,987</u>	<u>4,452</u>	<u>115,820</u>
Business Type Activities Capital Assets, Net	<u>\$ 87,929</u>	<u>\$ 214,354</u>	<u>\$ 495</u>	<u>\$ 301,788</u>

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Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Instruction	\$ 16,619,509
Pupil Personnel Services	68,167
Instructional Media Services	272,996
Instruction and Curriculum Dev Services	99,654
Instructional Staff Training	32,215
General Administration	1,244
School Administration	30,477
Facilities Acquisition and Construction	3,415,418
Fiscal Services	8,830
Food Services	15,449
Central Services	133,265
Pupil Transportation Services	1,065,103
Operation of Plant	2,551
Maintenance of Plant	248,367
Community Services	28,043
	\$ 22,041,288
<b>BUSINESS-TYPE ACTIVITIES</b>	
PLACE Program	\$ 30,987

**6. CERTIFICATES OF PARTICIPATION**

The District entered into a financing arrangement on December 1, 1996, that was characterized as a lease-purchase agreement, with the Florida School Boards Association whereby the District secured financing of various educational facilities and equipment in the total amount of \$242,486,612. The financing was accomplished through the issuance of Certificates of Participation, Series 1996 for \$106,770,000; Series 2004 for \$63,970,000; Series 2004-QZAB for \$4,546,000; Series 2005-QZAB for \$785,612; Series 2005A for \$35,915,000 and Series 2005B for \$30,500,000 for to be repaid from the proceeds of rents paid by the District.

On March 1, 2004, the financing agreements with the Florida School Boards Association were irrevocably assigned to the Pasco County School Board Leasing Corporation.

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

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	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent)	Annual Maturity To
Certificates of Participation				
Series 1996	\$ 106,770,000	\$ 90,830,000	2.000-5.4000	2021
Series 2004	63,970,000	62,325,000	2.000-5.0000	2029
Series 2004 - QZAB	4,546,000	4,546,000	1.100	2018
Series 2005A	35,915,000	35,915,000	3.000-5.0000	2030
Series 2005B	30,500,000	30,500,000	Weekly ARS	2030
Series 2005 - QZAB	785,612	785,612	-	2020
Unamortized Issuance Premiums		2,475,547		
Total Certificates of Participation	<u>\$ 242,486,612</u>	<u>\$ 227,377,159</u>		

Note: The 1996 Certificates of Participation were also issued, in part, to provide the funds necessary to advance refund the Series 1992A Certificates of Participation and refinance the Series 1992 facilities which the School Board acquired, constructed, and installed from the proceeds of the Series 1992A.

The Series 2005B Certificates of Participation were initially issued as auction rate securities and bear interest at Auction Rates for generally successive 7-day Auction Periods. The principal portion of the Basic Lease Payments represented by the Series 2005B Certificates is payable on August 1, 2030.

As a condition of the financing agreement, the District has given a ground lease on District property to the Pasco County School Board Leasing Corporation, with a rental fee of \$1 per year. The District has the following ground leases at June 30, 2006:

	Ground Lease Commencement Date	Run Through
Certificates of Participation		
Series 1996	December 1, 1996	December 1, 2021
Series 2004A	August 1, 2005	August 1, 2029
Series 2004 - QZAB	September 15, 2004	September 15, 2018
Series 2005A	August 1, 2006	August 1, 2030
Series 2005B	July 28, 2005	August 1, 2030
Series 2005 - QZAB	December 23, 2005	December 23, 2020

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The district properties included in the ground lease agreement are as follows:

**Certificates of Participation, Series 1992-A**

Cotee River Elementary School  
Seven Springs Middle School  
Hudson Elementary School Media Center Addition  
Mitty P. Locke Elementary School ESE Addition  
R. B. Stewart Middle School ESE Addition  
Lake Myrtle Elementary School ESE Addition  
West Zephyrhills Elementary School Addition

**Certificates of Participation, Series 1996**

Sand Pine Elementary School  
Chasco Elementary School  
Wesley Chapel High School, Phases I and II  
James E. Marlowe Elementary School  
J. W. Mitchell High School, Phase  
Pine View Elementary Schools  
Wesley Chapel Elementary

**Certificates of Participation, Series 2004-QZAB –**

Additions and Renovations for the following facilities:

Bayonet Point Middle School  
Chasco Middle School  
Cypress Elementary School  
Gulf High School  
Gulf Middle School  
Hudson High School  
Mitty P. Locke Elementary School  
Lacoochee Elementary School  
Pasco High School  
Rodney B. Cox Elementary School  
Ridgewood High School

**Certificates of Participation, Series 2005-QZAB**

Additions and Renovations for the following facilities:

Fox Hollow Elementary School  
Mary Giella Elementary School  
Moore Mickens Education Center  
Hudson Elementary  
Calusa Elementary  
Weightman Middle School  
Woodland Elementary School  
Zephyrhills High School  
Ridgewood High School  
Sanders Memorial Elementary School

**Certificates of Participation, Series 2004-A**

Paul R. Smith Middle School  
Wiregrass Ranch High School

**Certificates of Participation, Series 2005-A and B**

Dr. John Long Middle School  
Trinity Oaks Elementary  
Gulf Highlands Elementary School  
Double Branch Elementary School

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The lease payments for the Certificates of Participation, Series 1996, 2004 and 2005A are payable by the District, semiannually, on August 1<sup>st</sup> and February 1<sup>st</sup>. The lease payments for the Certificates of Participation, Series 2004-QZAB are payable by the District on September 15<sup>th</sup> and March 15<sup>th</sup>. Interest for the Series 2005B, is payable by the District beginning July 28, 2005 and thereafter on each Friday, until the final maturity date.

Fiscal Year Ending June 30	Total	Principal	Interest
2007	\$15,138,525	\$4,705,000	\$10,433,525
2008	15,136,410	4,875,000	10,261,410
2009	15,138,776	5,060,000	10,078,776
2010	15,140,055	5,225,000	9,915,055
2011	15,135,250	5,460,000	9,675,250
2012-2016	75,683,907	31,155,000	44,528,907
2017-2021	81,702,077	45,846,612	35,855,465
2022-2026	77,306,946	53,510,000	23,796,946
2027-2029	77,222,404	69,065,000	8,157,404
Subtotal	387,604,350	224,901,612	162,702,738
Add: Unamortized Premium on Debt	2,475,547	2,475,547	
Total Minimum Lease Payments	<u>\$390,079,897</u>	<u>\$227,377,159</u>	<u>\$162,702,738</u>

**7. INTEREST RATE SWAP AGREEMENT**

Objectives of the Interest Rate Swap Agreement – In order to protect against the potential of rising interest rates, the District entered into a pay-fixed, receive-variable interest rate swap agreement with Ambac Financial Services, LP (Ambac) for \$80,370,000 of the \$106,770,000 Series 1996 Certificates of Participation, at a cost less than what the District would have paid to issue all fixed rate debt at time of issuance of the Series 1996 Certificates of Participation in December 1996. The intention of the swap agreement was to effectively change the District’s variable interest rate on the certificates of participation to a synthetically fixed rate of 5.07%.

Terms – The variable rate Series 1996 Certificates of Participation and related swap agreement mature on August 1, 2026. The swaps notional amount of \$80,370,000 matches the \$80,370,000 variable-rate certificates of participation. The swap agreement was entered into at the same time the certificates of participation were issued (December 1996). Beginning in the 2010-2011 fiscal year, the notional value of the swap and principal amount of the variable debt decline. Under the swap agreement, the District pays the trustee, Wachovia Bank, N.A., a fixed payment of 5.07% and, Ambac pays the trustee the variable interest payment for the certificates of participation, which is based on The Bond Market Association Municipal Swap Index™.

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Fair Value – Because interest rates have declined since inception of the swap, the swap has a negative fair value of \$6,507,021 as of June 30, 2006. Ambac, using a proprietary valuation model, estimated the fair value. The model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value. All rates used in the valuation are mid-market levels (mid-way between bid and ask), or are model-based mid-market levels when mid-market levels are not available. The fair values provided take certain factors into consideration, including liquidity of the swap market and the uniqueness of the deal structure as documented in the Agreements.

Credit Risk – As of June 30, 2006, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Ambac, was rated Aaa by Moody's Investors Service, and AAA by Fitch Ratings and Standard & Poor's. The swap agreement includes a collateral agreement, which requires Ambac to provide full collateralization of the fair market value of the swap agreement should Ambac's credit rating fall below AA- as issued by Standard & Poor's or below Aa3 as issued by Moody's Investor Service. Collateral may be in the form of cash or securities.

Termination Risk – The District or Ambac may terminate the swap agreement if the other party fails to perform under the terms of the agreement. Termination due to lack of performance would be considered a termination event. The swap agreement also includes an early termination date of all payment obligations, provided that, if the date selected would result in a payment to Ambac, the District provides evidence satisfactory to Ambac that such payment will be made. Upon occurrence of a termination event, the District has the option to make such payment in equal annual installments over a period of time equal to or greater than five years, up to a maximum time ending on the final maturity date of the certificates of participation.

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**8. BONDS PAYABLE**

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1996-B	\$ 150,000	4.375- 4.625	2007
Series 1997-A	8,490,000	4.8 - 6.0	2017
Series 1998-A	1,375,000	4.5 - 5.5	2018
Series 1999-A	1,615,000	4.00 - 4.75	2019
Series 2000-A	765,000	4.75 - 6.00	2020
Series 2002-B	1,470,000	3.375- 5.375	2015
Series 2003-A	1,880,000	3 - 5	2023
Series 2004-A	1,395,000	3.0 - 4.6	2024
Series 2005-A	1,405,000	3.0 - 4.3	2025
District Revenue Bonds:			
Series 2000, Refunding	3,455,000	2.00 - 4.60	2033
District General Obligation Bonds:			
Series 2000, Refunding	10,400,000	4.60- 5.00	2007
Subtotal	32,400,000		
Unamortized Discount on Debt	(23,975)		
Total Bonds Payable	\$ 32,376,025		

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.

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➤ District Revenue Bonds

These bonds are authorized by Chapter 79.547 and 79-548, Special Acts of 1979, Laws of Florida, which provides that the bonds be secured from racetrack funds and jai alai fronton funds accruing annually to Pasco County (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

➤ District General Obligation Bonds

General Obligation Bonds, Series 2000, Refunding, are authorized by Article VII, Section 12 of the Constitution of the State of Florida and are secured by a pledge of property taxes levied, pursuant to Chapters 1010 and 1011, Florida Statutes.

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

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Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2007	\$ 2,141,174	\$ 1,255,000	\$ 886,174
2008	1,914,161	1,095,000	819,161
2009	1,922,080	1,155,000	767,080
2010	1,960,343	1,245,000	715,343
2011	1,969,699	1,315,000	654,699
2012-2016	9,791,105	7,555,000	2,236,105
2017-2021	4,367,591	3,735,000	632,591
2022-2026	1,295,031	1,190,000	105,031
<b>Total State School Bonds</b>	<b>25,361,184</b>	<b>18,545,000</b>	<b>6,816,184</b>
<b>District Revenue Bonds:</b>			
2007	218,615	75,000	143,615
2008	222,115	80,000	142,115
2009	220,275	80,000	140,275
2010	223,175	85,000	138,175
2011	220,625	85,000	135,625
2012-2016	1,103,371	470,000	633,371
2017-2021	1,110,406	575,000	535,406
2022-2026	1,106,181	710,000	396,181
2027-2031	1,105,913	885,000	220,913
2032-2035	438,675	410,000	28,675
<b>Total District Revenue Bonds</b>	<b>5,969,351</b>	<b>3,455,000</b>	<b>2,514,351</b>
<b>General Obligation Bonds:</b>			
2007	5,466,650	5,080,000	386,650
2008	5,453,000	5,320,000	133,000
<b>Total General Obligation Bonds</b>	<b>10,919,650</b>	<b>10,400,000</b>	<b>519,650</b>
Subtotal	42,250,185	32,400,000	9,850,185
Less: Unamortized Discount on Debt	(23,975)	(23,975)	
<b>Total</b>	<b>\$ 42,226,210</b>	<b>\$ 32,376,025</b>	<b>\$ 9,850,185</b>

**9. ESTIMATED ARBITRAGE REBATE**

In accordance with United States Treasury Department regulations, the District made an arbitrage rebate payment of \$314,908 and a yield restriction payment of \$224,137 on February 12, 2002, for the arbitrage earnings from the investment of proceeds from the \$106,770,000 Certificates of Participation, Series 1996. These payments were made from the Capital Projects – Other Fund. Subject to calculation assumptions, the cumulative arbitrage amount for all funds equals (\$1,099,612). Because the accrued rebate is negative, the District will likely be eligible to apply for a refund of the prior rebate payment after the next

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five-year calculation; however, only to the extent the arbitrage rebate liability remains negative until December 2006.

**10. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable	\$ 38,475,223	\$ -	\$ 6,099,198	\$ 32,376,025	\$ 6,416,371
Certificates of Participation Payable	163,610,237	67,833,454	4,066,532	227,377,159	5,011,532
Estimated Insurance Claims Payable	7,140,686	409,185	-	7,549,871	2,148,009
Compensated Absences Payable (1)	31,644,843	18,827,789	17,073,469	33,399,163	17,585,674
<b>Total Governmental Activities</b>	<b>\$240,870,989</b>	<b>\$ 87,070,428</b>	<b>\$ 27,239,199</b>	<b>\$300,702,218</b>	<b>\$ 31,161,586</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Compensated Absences Payable	\$ 419,974	\$ 594,025	\$ 500,304	\$ 513,695	\$ 513,695

Note (1) Includes balances at June 30, 2006, of the Internal Service Funds of \$340,801 with \$133,398 due in one year, and additions and deductions of \$179,641 and \$129,513, respectively.

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

**11. RESERVE FOR ENCUMBRANCES**

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

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

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**12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 3,055,942	
Nonmajor Governmental Funds		\$ 2,781,266
Fiduciary Funds		274,676
Total	<u>\$ 3,055,942</u>	<u>\$ 3,055,942</u>

Interfund balances represent payment of expenditures by one fund for another fund and will be repaid within twelve months.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 1,339,073	
Capital Project - Other	26,425,882	\$ 42,177,480
Nonmajor Governmental Funds	14,212,525	
Internal Service Funds	200,000	
Total	<u>\$ 42,177,480</u>	<u>\$ 42,177,480</u>

Interfund transfers were primarily from the Capital Projects Funds – Impact Fees to Capital Projects – Other to make construction payments.

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**13. SCHEDULE OF STATE REVENUE SOURCES**

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$200,638,043
Categorical Educational Programs	59,571,900
Public Education Capital Outly	6,276,697
Class-Size Reduction Capital Outlay	3,967,867
Workforce Development	3,627,228
Discretionary Lottery Funds	2,959,591
CO & DS Withheld for SBE Bonds	2,573,248
Reading Programs	263,346
Mobile Home License Tax	434,994
Career Ladder	75,000
Charter School Capaital Outlay	450,855
Food & Nutrition Service Supplement	450,066
Pari-Mutuel Tax	223,250
Full Service School Program	139,245
Fuel Tax Refunds	108,397
School Health Program Supplement	118,915
Miscellaneous	294,101
<b>Total</b>	<b>\$282,172,743</b>

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

**14. PROPERTY TAXES**

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

	<u>Millages</u>	<u>Taxes Levied</u>
<b>GENERAL FUND</b>		
Nonvoted School Tax:		
Required Local Effort	5.253	\$ 98,830,757
Basic Discretionary Local Effort	0.510	\$ 9,595,219
Supplemental Discretionary Local Effort	0.250	\$ 4,703,539
<b>DEBT SERVICE FUNDS</b>		
Voted Tax:		
Interest and Sinking	0.285	\$ 5,362,034
<b>CAPITAL PROJECTS FUNDS</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	\$ 28,221,233
<b>Total</b>	<b>7.798</b>	<b>\$ 146,712,782</b>

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**15. STATE RETIREMENT PROGRAM**

Defined Benefit Plan – All regular employees of the District are covered by the Florida Retirement System (the "FRS"), 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 the FRS. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan includes an early retirement provision but imposes a penalty for each year a member retires before his or her normal retirement date. The defined benefit plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) subject to the 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 a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. Instructional employees can extend DROP for up to three (3) years. 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 DBRP members are established, and may be amended, by the State of Florida. During the 2005-2006 fiscal year, contribution rates were as follows:

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

Note: (A): Employer rates include 1.11 percent for the post-employment health insurance supplement and 0.1 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ending June 30, 2004; June 30, 2005 and June 30, 2006, totaled \$17,654,785, \$18,282,148 and \$23,094,197 respectively, which were equal to the required contributions for each fiscal year.

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Defined Contribution Plan – Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2004, June 30, 2005 and June 30, 2006, totaled \$226,477, \$1,224,218 and \$2,458,907, respectively.

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

**16. EARLY RETIREMENT PROGRAM**

Plan Description

As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (the "Plan"), effective July 1, 1983, and amended as of January 1, 1997. The Plan is a single-employer, defined benefit pension plan. The purpose of the Plan is to provide District employees, who elect to retire under the early retirement provisions of the FRS, described in a previous note – State Retirement Plan, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement. The Board administers Plan assets in a Pension Trust Fund and is responsible for their investment. The Board acts as the administrative agent for the Plan.

Based on an actuarial valuation report as of July 1, 2005, employee membership data related to the Plan were as follows.

Retirees and Beneficiaries receiving benefits	91
Active Plan Participants	3,487
Total	<u>3,578</u>

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A summary of eligibility and benefits follow:

➤ Eligibility

Participants must have elected early retirement under the FRS; attained the age of 50 but not have attained the age of 62 upon early retirement; been credited with at least 25 years (and who have reached the final step on the appropriate salary schedule) of service under the FRS upon early retirement; and (for non-union contract employees) completed at least 12 years of service in the District.

➤ Benefits

The amount of the monthly benefit will be equal to the reduction imposed on the retirement benefit by the FRS due to early retirement. The benefit amount will be based on the initial benefit amount determined by the FRS prior to any cost-of-living adjustments and will remain unchanged, once established, unless a specific increase is authorized by the Board. Effective July 1, 1997, the amount of early retirement benefits for new participants ages 50 through 54 has been reduced to a flat 35 percent of the FRS benefit, with this reduction phased-in over a period of four years. Total benefits provided by the Plan for the fiscal years ending June 30, 2004, June 30, 2005 and June 30, 2006, totaled \$903,475, \$529,305 and \$609,545, respectively.

**Summary of Significant Accounting Policies**

Significant accounting policies related to basis of accounting and method of asset valuation are disclosed in Note 1.

**Contributions and Reserves**

The District's Early Retirement Plan was established by the Board on July 1, 1983, and amended as of January 1, 1997. Pursuant to the Plan Agreement, no contribution shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual pension cost of the Plan for the year and amortization payments sufficient to completely amortize the initial unfunded liability within 30 years from the effective date and any subsequent increase in the unfunded liability within 30 years of being so increased, based on an actuarial study. The Plan, as amended, resulted in revisions to the amortization of the initial unfunded liability.

Periodic employer contributions to the Plan are determined on an actuarial basis using the "Entry-Age Normal Actuarial Cost Method." Annual pension cost is funded on a current basis. Pursuant to Section 112.64, Florida Statutes, the unfunded actuarial accrued liability is funded over a 30-year period for participants prior to July 1, 1997, and funded over a 40-year period for the revised plan. Periodic contributions for both normal cost and the amortization of the unfunded actuarial liability are based on the level percentage of payroll method.

Significant actuarial assumptions used to compute annual required contributions are the same as those used to determine the actuarial accrued liability.

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Total contributions to the Plan in the 2005-2006 fiscal year, amounting to \$1,202,825, all of which were paid by the Board, were made in accordance with determined contribution requirements determined through an actuarial valuation performed as of July 1, 2005.

The computation of the annual required contribution for the 2005-2006 fiscal year was based on the same: (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method and (d) other significant factors used to determine the required annual contributions for the previous year.

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

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

**Concentrations**

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

	Balance June 30, 2006	Percentage of Plan Net Assets	Investments At Maturities Are Less Than		
			6 Months	1 Year	2 Years
Collateralized Mortgage Ogligations	\$ 4,456,335	62.14%	\$ -	\$ 11,421	\$ 4,444,914
Money Market	41,362	0.58%	441,362	-	-
Investment in State Board of Administration Pool	2,673,936	37.28%	2,673,936	-	-
<b>Total</b>	<b>\$ 7,171,633</b>	<b>100.00%</b>	<b>\$ 3,115,298</b>	<b>\$ 11,421</b>	<b>\$ 4,444,914</b>

Credit Risk – Plan investments were authorized by the District's investment policy. As of June 30, 2006, the District's investments in the State Board of Administration Investment Pool and the Money Market Fund were unrated. Investments in collateralized mortgage obligations were rated AAA by Bloomberg.

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 authorizes investments in securities exceeding one year if the maturities of such investments are made to coincide as nearly as practical with cash flow needs as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Concentration of Credit Risk - The District's investment policy places no limit on the amount that may be invested in any other issuer; however, the policy does provide that certain market conditions require investment in certain securities over other investments under different market conditions. It is the policy of the District to diversify its investment portfolio to protect against issuer defaults.

**Trend Information**

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Values of Plan Assets	Actuarial Accrued Liability (1)	Unfunded Actuarial Accrued Liability (2)	Funded Ratio (3)	Covered Payroll	Ratio of Unfunded Actuarial Accrued Liability Covered Payroll
2001	\$ 3,202,191	\$ 12,152,701 (4)	\$ 8,950,510	26.35%	\$ 101,477,155 (4)	8.82%
2002	4,192,866	13,304,440 (4)	9,111,574	31.51%	107,293,070 (4)	8.49%
2003	5,187,341	14,424,748 (5)	9,237,407	35.96%	106,240,704 (5)	8.69%
2004	5,859,574	13,630,135 (5)	7,770,561	42.99%	105,127,379 (5)	7.39%
2005	5,868,121	13,736,412 (5)	7,868,291	42.72%	117,802,339 (5)	6.68%
2006	6,519,604	17,408,848 (6)	10,889,244	37.45%	130,477,299 (6)	8.35%

- Notes: (1) The actuarial method used is the Entry Age Normal Cost Method.  
(2) The unfunded actuarial accrued liability is the actuarial accrued liability minus the actuarial value of plan assets.  
(3) The percentage funded is derived by dividing the actuarial value of plan assets by the actuarial accrued liability.  
(4) Based on data from an actuarial valuation report as of July 1, 2001.  
(5) Based on data from an actuarial valuation report as of July 1, 2003.  
(6) Based on data from an actuarial valuation report as of July 1, 2005

Isolated analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Trends in the unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation, and aids analysis of the progress made in accumulating assets to pay benefits when due. Generally, a smaller percentage denotes a stronger Plan.

Schedule of Employer Contributions:

2001	\$ 806,371	100%
2002	874,746	100%
2003	926,422	100%
2004	807,918	100%
2005	926,422	100%
2006	1,202,825	100%

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

Valuation Date	July 1, 2005
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	17 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.25%
Projected Salary Increases	5.00%
*Includes Inflation at	3.25%
Cost-of-Living Adjustments	None

**17. POST EMPLOYMENT BENEFITS**

Pursuant to Section 112.0801, Florida Statutes, the District pays a portion of the cost of health and dental care insurance benefits for retired former employees. For those employees who retire after January 1, 1997, the School Board contributes the same amount toward the retiree's health insurance premium each year as it does toward the regular employee's premium. This contribution begins upon retirement and continues until the retiree is eligible to receive Medicare benefits. This contribution is contingent upon the retiree meeting all of the following conditions: 1) 30 years of service under FRS or 25 years of service under FRS and at least age 50 at retirement; 2) 20 years of service in the District; 3) contributes his/her health insurance subsidy received from the State of Florida toward the cost of this medical premium; and 4) continues to participate in one of the Board-approved health plans after his/her retirement.

In addition, the District contributed \$20 per month toward health insurance premiums for eligible former employees. Such contribution will continue as long as the employee maintains his/her health benefits through the District. As of fiscal year end, benefits were being provided to 216 retired former employees. The cost of the benefits provided is recognized as an expense each month as premiums are paid. For the fiscal year, premiums totaled \$890,514.

**18. MEMBERSHIP IN NONPROFIT CORPORATION**

The District participated in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc. established under the provisions of Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless determined by a vote of the membership, are distributed by the Cooperative on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At fiscal year end, the accumulated credits to the District's account are \$2,887,815. During the fiscal year, the District received capital credits of \$60,122, recorded as general revenue.

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**19. 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
Double Branch Elementary			
Architect	\$ 396,250	\$ 246,429	\$ 149,821
Construction Manager	11,416,547	1,741,323	9,675,224
Gulf Highlands Elementary			
Architect	420,460	351,169	69,291
Contractor	9,684,245	7,513,708	2,170,537
Gulf Trace Elementary			
Architect	493,350	97,300	396,050
New River Elementary			
Architect	402,158	135,589	266,569
Oakstead Elementary			
Architect	396,250	362,769	33,481
Construction Manager	9,782,331	8,090,201	1,692,130
Trinity Oaks Elementary			
Architect	396,250	362,223	34,027
Construction Manager	10,892,675	6,403,189	4,489,486
Charles S. Rushe Middle			
Architect	800,000	533,104	266,896
Construction Manager	35,916,383	-	35,916,383
John Long Middle School			
Architect	893,270	727,625	165,645
Construction Manager	18,522,129	12,982,006	5,540,123
Paul R. Smith Middle School			
Architect	899,057	756,848	142,209
Construction Manager	15,979,772	10,993,313	4,986,459
Sunlake High School			
Architect	1,066,400	813,653	252,747
Construction Manager	33,379,416	6,035,466	27,343,950
Wiregrass Ranch High School			
Architect	1,348,688	1,154,687	194,001
Construction Manager	23,962,684	11,126,137	12,836,547
R.B. Steward Middle School Renovation and Remodeling			
Architect	1,017,670	779,564	238,106
Construction Manager	13,350,291	6,589,473	6,760,818
<b>Total</b>	<b>\$ 191,416,276</b>	<b>\$ 77,795,776</b>	<b>\$ 113,620,500</b>

**DISTRICT SCHOOL BOARD OF PASCO COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**20. 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 stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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 \$7,549,871 was actuarially determined to cover estimated incurred, but not reported, workers' compensation, automobile liability, general liability, and property/casualty insurance claims payable at June 30, 2006.

The District provides a prescription plan for employees on a self-insured basis, which is administered by an insurance carrier under an agreement wherein the District reimburses the insurance carrier for claims paid on a monthly basis. A liability of \$266,866 was accrued at fiscal year end for prescription claims incurred during the month of June, but not paid until July.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-05	\$ 6,116,879	\$ 10,910,212	\$ 9,886,405	\$ 7,140,686
2005-06	7,140,686	11,125,064	10,715,879	7,549,871

**21. LITIGATION**

The District is involved in various lawsuits as of June 30, 2006. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liability on uninsured risks, that the amount of losses resulting from litigation, which exceed the above-mentioned limits, would not be material to the financial position of the District.

**22. SUBSEQUENT EVENTS**

On July 1, 2006, the property insurance coverage was reduced from \$100,000,000 to \$50,000,000 due to the availability of the coverage. In addition, the deductible for wind damages from a named storm increased from 2% subject to a minimum of \$500,000 to 5% subject to a minimum of \$1,000,000 of the buildings and contents per location. Premiums for this coverage increased from \$1,900,990 in fiscal year 2005-2006 to \$5,172,559 in fiscal year 2006-2007.

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS**

## Combining Schedules of Nonmajor Governmental Funds

### Nonmajor Special Revenue Funds

Nonmajor Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to pay for specified activities.

Food and Nutrition Services Fund – To account for food and nutrition services activities, including the serving of breakfast and lunch at the schools.

Other Federal Programs Funds – To account for the receipt and use of Federal grant proceeds.

### Nonmajor Debt Service Funds

Nonmajor Debt Service Funds are used to account for resources accumulated, primarily from tax proceeds and earnings on temporary investments, for the payment of principal and interest of long-term liabilities.

State Board of Education Bonds Funds – To account for payment of principal and interest on various bond issues serviced by the State of Florida on the District's behalf.

District Revenue Bonds Fund – To account for payment of principal and interest on Motor Vehicle License Tax Revenue Bonds, which are secured by racetrack funds and jai alai fronton funds received annually by Pasco County pursuant to Chapter 79-548, Special Acts of 1979, Laws of Florida.

General Obligation Bonds Funds – To account for payments of principal and interest for the voter-approved bond referendum issued to finance the construction of new schools and facilities.

Certificates of Participation Funds – To account for payments of principal and interest for obligations pertaining to lease payments from debt issued to finance acquisition and construction of schools and ancillary facilities.

### Nonmajor Capital Projects Funds

Nonmajor Capital Projects Funds are used to account for resources to be used for the acquisition and construction of major capital assets; such as: land, new school buildings, additions to existing buildings, major renovation projects, school buses, equipment and furniture.

State Board of Education Bonds Funds – To account for proceeds of bonds, issued on the District's behalf, by the State Board of Education, to be used for the construction and maintenance of schools.

Special Act Bonds Fund – To account for district revenue bond proceeds to be used for the acquisition and/or construction and maintenance of schools.

Capital Outlay and Debt Service Fund - To account for the excess dollars from the debt service funds used for construction and maintenance of schools.

Local Optional Millage Levy Funds – To account funds received from the assessment of property taxes for construction and maintenance of schools.

**District School Board of Pasco County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006**

	Special Revenue			Debt Service		
	Food and Nutrition Services Fund	Other Federal Programs Funds	Total Nonmajor Special Revenue Funds	State Board of Education Bonds Funds	District Revenue Bonds Fund	General Obligation Bonds Funds
<b>Assets:</b>						
Cash	\$ 108	\$ 127,919	\$ 128,027	\$ -	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	685
Investments	-	143,167	143,167	443,088	14,454	8,922,602
Accounts Receivable	41,408	2,099	43,507	-	-	76,667
Due from Other Agencies	1,382,131	2,342,336	3,724,467	-	-	135,886
Inventories	1,142,787	-	1,142,787	-	-	-
<b>Total Assets</b>	<b>2,566,434</b>	<b>2,615,521</b>	<b>5,181,955</b>	<b>443,088</b>	<b>14,454</b>	<b>9,135,840</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Salaries, Benefits and Payroll Taxes Payable	22,983	197,104	220,087	-	-	-
Payroll Deductions and Withholdings Payable	747	52,018	52,765	-	-	-
Accounts Payable	31,547	383,376	414,923	-	-	-
Construction Contracts Payable	-	-	-	-	-	-
Construction Contracts Retainage Payable	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	5,360	-	-
Due to Other Funds	1,037,046	1,744,220	2,781,266	-	-	-
Due to Other Agencies	-	238,803	238,803	-	-	-
Deferred Revenue	173,947	-	173,947	-	-	-
<b>Total Liabilities</b>	<b>1,266,270</b>	<b>2,615,521</b>	<b>3,881,791</b>	<b>5,360</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>						
Reserved for:						
Encumbrances	187,705	-	187,705	-	-	-
Unreserved:						
Designated for:						
Compensated Absences	-	-	-	-	-	-
Debt Service	-	-	-	437,728	14,454	9,135,840
Capital Projects	-	-	-	-	-	-
Food Services	1,112,459	-	1,112,459	-	-	-
<b>Total Fund Balances</b>	<b>1,300,164</b>	<b>-</b>	<b>1,300,164</b>	<b>437,728</b>	<b>14,454</b>	<b>9,135,840</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,566,434</b>	<b>\$ 2,615,521</b>	<b>\$ 5,181,955</b>	<b>\$ 443,088</b>	<b>\$ 14,454</b>	<b>\$ 9,135,840</b>

Debt Service		Capital Projects					
Certificates of Participation Funds	Total Nonmajor Debt Service Funds	State Board of Education Bonds Funds	Special Act Bonds Fund	Capital Outlay and Debt Service Fund	Local Optional Millage Levy Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,027
310,668	311,353	-	-	-	-	-	311,353
4,710,410	14,090,554	4,336,489	2,295,320	7,881,485	11,436,352	25,949,646	40,183,367
1,856	78,523	-	-	-	-	-	122,030
-	135,886	-	-	32,408	713,137	745,545	4,605,898
-	-	-	-	-	-	-	1,142,787
<u>5,022,934</u>	<u>14,616,316</u>	<u>4,336,489</u>	<u>2,295,320</u>	<u>7,913,893</u>	<u>12,149,489</u>	<u>26,695,191</u>	<u>46,493,462</u>
-	-	-	-	-	-	-	220,087
-	-	-	-	-	-	-	52,765
3,680	3,680	-	-	-	113,949	113,949	532,552
-	-	-	-	-	158,705	158,705	158,705
-	-	20,687	-	-	17,633	38,320	38,320
-	5,360	-	-	-	-	-	5,360
-	-	-	-	-	-	-	2,781,266
-	-	-	-	-	-	-	238,803
-	-	-	-	-	-	-	173,947
<u>3,680</u>	<u>9,040</u>	<u>20,687</u>	<u>-</u>	<u>-</u>	<u>290,287</u>	<u>310,974</u>	<u>4,201,805</u>
-	-	77,446	19,544	-	11,618,933	11,715,923	11,903,628
-	-	-	-	-	-	-	-
5,019,254	14,607,276	-	-	-	-	-	14,607,276
-	-	4,238,356	2,275,776	7,913,893	240,269	14,668,294	14,668,294
-	-	-	-	-	-	-	1,112,459
<u>5,019,254</u>	<u>14,607,276</u>	<u>4,315,802</u>	<u>2,295,320</u>	<u>7,913,893</u>	<u>11,859,202</u>	<u>26,384,217</u>	<u>42,291,657</u>
<u>\$ 5,022,934</u>	<u>\$ 14,616,316</u>	<u>\$ 4,336,489</u>	<u>\$ 2,295,320</u>	<u>\$ 7,913,893</u>	<u>\$ 12,149,489</u>	<u>\$ 26,695,191</u>	<u>\$ 46,493,462</u>

**District School Board of Paseo County  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2006**

	Special Revenue				Debt Service				Total Nonmajor Debt Service Funds
	Food and Nutrition Services Fund	Other Federal Programs Funds	Total Nonmajor Special Revenue Funds	State Board of Education Bonds Funds	District Revenue Bonds Fund	General Obligation Bonds Funds	Certificates of Participation Funds		
<b>Revenues:</b>									
Federal Sources:									
Federal Direct	\$ -	\$ 5,585,010	\$ 5,585,010	\$ -	\$ -	\$ -	\$ -	\$ -	
Federal Through State	-	30,894,130	30,894,130	-	-	-	-	-	
Federal Through Local	-	891,163	891,163	-	-	-	-	-	
Food Services	13,241,412	-	13,241,412	-	-	-	-	-	
State Sources:									
Food Services	450,066	-	450,066	-	-	-	-	-	
CO & DS Withheld for State Education Bonds	-	-	-	2,089,345	-	-	-	-	2,089,345
Racing Commission Funds	-	-	-	-	223,250	-	-	-	223,250
CO & DS Distributed	-	-	-	-	-	-	-	-	
State Grants and Other	-	-	-	-	-	-	-	-	
Local Sources:									
Property Taxes	-	-	-	-	-	5,506,507	-	-	5,506,507
Food Services	11,218,023	-	11,218,023	-	-	-	-	-	
Investment Earnings	21,735	-	21,735	-	2,596	292,059	504,616	-	799,271
Local Grants and Other	31,518	-	31,518	-	-	-	-	-	
<b>Total Revenues</b>	<b>24,962,754</b>	<b>37,370,303</b>	<b>62,333,057</b>	<b>2,089,345</b>	<b>225,846</b>	<b>5,798,566</b>	<b>504,616</b>	<b>8,618,373</b>	

**Expenditures:**

Current-Education:

Instruction	-	22,861,936	22,861,936	-	-	-	-	-	
Pupil Personnel Services	-	3,208,424	3,208,424	-	-	-	-	-	
Instructional Media Services	-	218,478	218,478	-	-	-	-	-	
Inst. and Curriculum Development Services	-	3,307,227	3,307,227	-	-	-	-	-	
Instructional Staff Training	-	3,342,433	3,342,433	-	-	-	-	-	
Instructional Related Technology	-	22,316	22,316	-	-	-	-	-	
General Administration	-	639,059	639,059	-	-	-	-	-	
School Administration	-	1,099	1,099	-	-	-	-	-	
Facilities Acquisition and Construction	-	3,556	3,556	-	-	-	-	-	

	Special Revenue			Debt Service			Total	
	Food and Nutrition Services Fund	Other Federal Programs Funds	Total Nonmajor Special Revenue Funds	State Board of Education Bonds Funds	District Revenue Bonds Fund	General Obligation Bonds Funds		Certificates of Participation Fund
<b>Expenditures (continued):</b>								
Fiscal Services	-	67,561	67,561	-	-	-	-	-
Food Services	24,925,504	32,412	24,957,916	-	-	-	-	-
Central Services	-	291,988	291,988	-	-	-	-	-
Pupil Transportation Services	-	298,861	298,861	-	-	-	-	-
Operation of Plant	-	11,770	11,770	-	-	-	-	-
Maintenance of Plant	-	47,602	47,602	-	-	-	-	-
Community Services	-	157,161	157,161	-	-	-	-	-
Capital Outlay:								
Facilities Acquisition and Construction	-	355,946	355,946	-	-	-	-	-
Other Capital Outlay	-	2,502,474	2,502,474	-	-	-	-	-
Debt Service:								
Principal	-	-	-	1,175,000	75,000	4,850,000	3,960,000	10,060,000
Interest	-	-	-	927,922	145,115	622,487	7,155,126	8,850,650
Fiscal Charges	-	-	-	-	690	90,242	3,115,385	3,206,317
<b>Total Expenditures</b>	<b>24,925,504</b>	<b>37,370,303</b>	<b>62,295,807</b>	<b>2,102,922</b>	<b>220,805</b>	<b>5,562,729</b>	<b>14,230,511</b>	<b>22,116,967</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>37,250</b>	<b>-</b>	<b>37,250</b>	<b>(13,577)</b>	<b>5,041</b>	<b>235,837</b>	<b>(13,725,895)</b>	<b>(13,498,694)</b>
<b>Other Financing Sources (Uses):</b>								
Premiums on Certificates of Participation	-	-	-	-	-	-	1,047,842	1,047,842
Transfers In	-	-	-	-	-	-	14,212,525	14,212,525
Transfers Out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,260,367</b>	<b>15,260,367</b>
<b>Net Change in Fund Balances</b>	<b>37,250</b>	<b>-</b>	<b>37,250</b>	<b>(13,577)</b>	<b>5,041</b>	<b>235,837</b>	<b>1,534,472</b>	<b>1,761,773</b>
<b>Fund Balances, Beginning</b>	<b>1,262,914</b>	<b>-</b>	<b>1,262,914</b>	<b>451,305</b>	<b>9,413</b>	<b>8,900,003</b>	<b>3,484,782</b>	<b>12,845,503</b>
<b>Fund Balances, Ending</b>	<b>\$ 1,300,164</b>	<b>\$ -</b>	<b>\$ 1,300,164</b>	<b>\$ 437,728</b>	<b>\$ 14,454</b>	<b>\$ 9,135,840</b>	<b>\$ 5,019,254</b>	<b>\$ 14,607,276</b>

(Continued)

**District School Board of Pasco County  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds (continued)  
For the Fiscal Year Ended June 30, 2006**

	Capital Projects							Total Nonmajor Governmental Funds
	State Board of Education Bonds Funds	Special Act Bonds Fund	Capital Outlay and Debt Service Fund	Local Optional Millage Levy Funds	Nonmajor Capital Projects Funds			
<b>Revenues:</b>								
Federal Sources:								
Federal Direct	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,585,010
Federal Through State	-	-	-	-	-	-	-	30,894,130
Federal Through Local	-	-	-	-	-	-	-	891,163
Food Services	-	-	-	-	-	-	-	13,241,412
State Sources:								
Food Services	-	-	-	-	-	-	-	450,066
CO & DS Withheld for State Education Bonds	-	-	-	-	-	-	-	2,089,345
Racing Commission Funds	-	-	-	-	-	-	-	223,250
CO & DS Distributed	-	-	445,017	-	445,017	-	-	445,017
State Grants and Other	-	-	32,407	-	32,407	-	-	32,407
Local Sources:								
Property Taxes	-	-	-	28,960,352	28,960,352	-	-	34,466,859
Food Services	-	-	-	-	-	-	-	11,218,023
Investment Earnings	203,086	108,445	307,472	656,250	1,275,253	-	-	2,096,259
Local Grants and Other	-	-	-	-	-	-	-	31,518
<b>Total Revenues</b>	<b>203,086</b>	<b>108,445</b>	<b>784,896</b>	<b>29,616,602</b>	<b>30,713,029</b>	<b>-</b>	<b>-</b>	<b>101,664,459</b>

	Capital Projects							Total Nonmajor Governmental Funds
	State Board of Education Bonds Funds	Special Act Bonds Fund	Capital Outlay and Debt Service Fund	Local Optional Millage Levy Funds	Nonmajor Capital Projects Funds			
<b>Expenditures:</b>								
Current-Education:								
Instruction	-	-	-	-	-	-	-	22,861,936
Pupil Personnel Services	-	-	-	-	-	-	-	3,208,424
Instructional Media Services	-	-	-	-	-	-	-	218,478
Inst. and Curriculum Development Services	-	-	-	-	-	-	-	3,307,227
Instructional Staff Training	-	-	-	-	-	-	-	3,342,433
Instructional Related Technology	-	-	-	-	-	-	-	22,316
General Administration	-	-	-	-	-	-	-	639,059
School Administration	-	-	-	-	-	-	-	1,099
Facilities Acquisition and Construction	-	1,110,133	-	2,534,948	3,645,081	-	-	3,648,637

	Capital Projects						Total Nonmajor Governmental Funds
	State Board of Education Bonds Funds	Special Act Bonds Fund	Capital Outlay and Debt Service Fund	Local Optional Millage Levy Funds	Total Nonmajor Capital Projects Funds		
<b>Expenditures (continued):</b>							
Fiscal Services	-	-	-	-	-	-	67,561
Food Services	-	-	-	-	-	-	24,957,916
Central Services	-	-	-	-	-	-	291,988
Pupil Transportation Services	-	-	-	-	-	-	298,861
Operation of Plant	-	-	-	-	-	-	11,770
Maintenance of Plant	-	-	-	-	-	-	47,602
Community Services	-	-	-	-	-	-	157,161
Capital Outlay:							
Facilities Acquisition and Construction	216,756	437,636	-	18,118,724	18,773,116	-	19,129,062
Other Capital Outlay	-	-	-	-	-	-	2,502,474
Debt Service:							
Principal	-	-	-	-	-	-	10,060,000
Interest	-	-	-	-	-	-	8,850,650
Fiscal Charges	-	-	-	-	-	-	3,206,317
<b>Total Expenditures</b>	<b>216,756</b>	<b>1,547,769</b>	<b>-</b>	<b>20,653,672</b>	<b>22,418,197</b>	<b>-</b>	<b>106,830,971</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(13,670)</b>	<b>(1,439,324)</b>	<b>784,896</b>	<b>8,962,930</b>	<b>8,294,832</b>	<b>-</b>	<b>(5,166,512)</b>
<b>Other Financing Sources (Uses):</b>							
Premiums on Certificates of Participation	-	-	-	-	-	-	1,047,842
Transfers In	-	-	-	-	-	-	14,212,525
Transfers Out	-	-	-	(14,412,525)	(14,412,525)	-	(14,412,525)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,412,525)</b>	<b>(14,412,525)</b>	<b>-</b>	<b>847,842</b>
<b>Net Change in Fund Balances</b>	<b>(13,670)</b>	<b>(1,439,324)</b>	<b>784,896</b>	<b>(5,449,595)</b>	<b>(6,117,693)</b>	<b>-</b>	<b>(4,318,670)</b>
<b>Fund Balances, Beginning</b>	<b>4,329,472</b>	<b>3,734,644</b>	<b>7,128,997</b>	<b>17,308,797</b>	<b>32,501,910</b>	<b>-</b>	<b>46,610,327</b>
<b>Fund Balances, Ending</b>	<b>\$ 4,315,802</b>	<b>\$ 2,295,320</b>	<b>\$ 7,913,893</b>	<b>\$ 11,859,202</b>	<b>\$ 26,384,217</b>	<b>\$</b>	<b>\$ 42,291,657</b>

**Schedules**  
**of**  
**Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**Governmental Funds**

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Special Revenue - Food and Nutrition Services Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Sources:				
Food Service	\$ 13,440,000	\$ 14,091,100	\$ 13,241,412	\$ (849,688)
State Sources:				
Food Service	375,000	455,000	450,066	(4,934)
Local Sources:				
Food Service Sales	10,810,000	11,670,000	11,218,023	(451,977)
Investment Earnings	1,000	22,000	21,735	(265)
Local Grants and Other	50,000	50,000	31,518	(18,482)
Total Revenues	<u>24,676,000</u>	<u>26,288,100</u>	<u>24,962,754</u>	<u>(1,325,346)</u>
<b>Expenditures:</b>				
Current-Education:				
Food Services	24,194,369	25,481,174	24,925,504	555,670
Excess (Deficiency) of Revenues Over Expenditures	481,631	806,926	37,250	(769,676)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(500,000)	(500,000)	-	500,000
Net Change in Fund Balance	(18,369)	306,926	37,250	(269,676)
Fund Balance, Beginning	1,262,914	1,262,914	1,262,914	-
Fund Balance, Ending	<u>\$ 1,244,545</u>	<u>\$ 1,569,840</u>	<u>\$ 1,300,164</u>	<u>\$ (269,676)</u>

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Special Revenue - Other Federal Programs Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Federal Sources:				
Federal Direct	\$ 5,871,361	\$ 5,872,043	\$ 5,585,010	\$ (287,033)
Federal Through State	39,195,284	40,056,056	30,894,130	(9,161,926)
Federal Through Local	409,164	420,439	891,163	470,724
Total Revenues	<u>45,475,809</u>	<u>46,348,538</u>	<u>37,370,303</u>	<u>(8,978,235)</u>
<b>Expenditures:</b>				
Current-Education:				
Instruction	28,867,150	27,771,612	22,861,936	4,909,676
Pupil Personnel Services	3,438,165	3,363,284	3,208,424	154,860
Instructional Media Services	194,606	223,820	218,478	5,342
Inst. and Curriculum Development Services	4,324,386	4,073,291	3,307,227	766,064
Instructional Staff Training	5,156,783	5,262,773	3,342,433	1,920,340
Instructional Related Technology	346	26,530	22,316	4,214
General Administration	1,113,811	1,106,106	639,059	467,047
School Administration	1,059	1,704	1,099	605
Facilities Acquisition and Construction	350,637	32,144	3,556	28,588
Fiscal Services	104,054	95,379	67,561	27,818
Food Services	25,132	32,412	32,412	-
Central Services	154,467	373,438	291,988	81,450
Pupil Transportation Services	1,105,556	361,237	298,861	62,376
Operation of Plant	51,015	161,463	11,770	149,693
Maintenance of Plant	53,750	69,933	47,602	22,331
Community Services	534,892	534,992	157,161	377,831
Capital Outlay:				
Facilities Acquisition and Construction	-	355,946	355,946	-
Other Capital Outlay	-	2,502,474	2,502,474	-
Total Expenditures	<u>45,475,809</u>	<u>46,348,538</u>	<u>37,370,303</u>	<u>8,978,235</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service - State Board of Education Bonds Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sources:				
CO & DS Withheld for State Education Bonds	\$ 2,102,921	\$ 2,102,921	\$ 2,089,345	\$ (13,576)
State Grants and Other	-	-	-	-
Total Revenues	<u>2,102,921</u>	<u>2,102,921</u>	<u>2,089,345</u>	<u>(13,576)</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	1,175,000	1,175,000	1,175,000	-
Interest	927,921	927,946	927,922	24
Fiscal Charges	-	-	-	-
Total Expenditures	<u>2,102,921</u>	<u>2,102,946</u>	<u>2,102,922</u>	<u>24</u>
Net Change in Fund Balances	-	(25)	(13,577)	(13,552)
Fund Balances, Beginning	451,305	451,305	451,305	0
Fund Balances, Ending	<u>\$ 451,305</u>	<u>\$ 451,280</u>	<u>\$ 437,728</u>	<u>\$ (13,552)</u>

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service - District Revenue Bonds Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sources:				
Racing Commission Funds	\$ 223,250	\$ 223,250	\$ 223,250	\$ -
Local Sources:				
Investment Earnings	2,000	3,000	2,596	(404)
Total Revenues	<u>225,250</u>	<u>226,250</u>	<u>225,846</u>	<u>(404)</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	75,000	75,000	75,000	-
Interest	145,116	145,116	145,115	1
Fiscal Charges	1,000	1,000	690	310
Total Expenditures	<u>221,116</u>	<u>221,116</u>	<u>220,805</u>	<u>311</u>
Net Change in Fund Balance	4,134	5,134	5,041	(93)
Fund Balance, Beginning	9,413	9,413	9,413	-
Fund Balance, Ending	<u>\$ 13,547</u>	<u>\$ 14,547</u>	<u>\$ 14,454</u>	<u>\$ (93)</u>

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service - General Obligation Bonds Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Local Sources:				
Ad Valorem Taxes	\$ 5,592,804	\$ 5,584,704	\$ 5,506,507	\$ (78,197)
Investment Earnings	262,043	302,143	292,059	(10,084)
Total Revenues	<u>5,854,847</u>	<u>5,886,847</u>	<u>5,798,566</u>	<u>(88,281)</u>
<b>Expenditures:</b>				
Debt Service:				
Principal	4,850,000	4,850,000	4,850,000	-
Interest	622,488	622,488	622,487	1
Fiscal Charges	110,500	110,500	90,242	20,258
Total Expenditures	<u>5,582,988</u>	<u>5,582,988</u>	<u>5,562,729</u>	<u>20,259</u>
Net Change in Fund Balances	271,859	303,859	235,837	(68,022)
Fund Balances, Beginning	8,900,003	8,900,003	8,900,003	-
Fund Balances, Ending	<u>\$ 9,171,862</u>	<u>\$ 9,203,862</u>	<u>\$ 9,135,840</u>	<u>\$ (68,022)</u>

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service - Certificates of Participation Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sources:				
Investment Earnings	\$ 55,000	\$ 514,500	\$ 504,616	\$ (9,884)
<b>Expenditures:</b>				
Debt Service:				
Principal	4,284,714	4,284,714	3,960,000	324,714
Interest	8,496,873	7,896,873	7,155,126	741,747
Fiscal Charges	1,398,438	3,118,780	3,115,385	3,395
Total Expenditures	14,180,025	15,300,367	14,230,511	1,069,856
Excess (Deficiency) of Revenues Over Expenditures	(14,125,025)	(14,785,867)	(13,725,895)	1,059,972
<b>Other Financing Sources (Uses):</b>				
Premium on Certificates of Participation	-	1,047,842	1,047,842	-
Transfers In	14,180,025	14,212,525	14,212,525	-
Total Other Financing Sources (Uses)	14,180,025	15,260,367	15,260,367	-
Net Change in Fund Balances	55,000	474,500	1,534,472	1,059,972
Fund Balances, Beginning	3,484,782	3,484,782	3,484,782	-
Fund Balances, Ending	\$ 3,539,782	\$ 3,959,282	\$ 5,019,254	\$ 1,059,972

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Projects - Public Education Capital Outlay Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sources:				
Public Education Capital Outlay	\$ 10,667,247	\$ 10,667,247	\$ 6,276,697	\$ (4,390,550)
Local Sources:				
Investment Earnings	30,000	46,000	36,674	(9,326)
Total Revenues	10,697,247	10,713,247	6,313,371	(4,399,876)
<b>Expenditures:</b>				
Current-Education:				
Facilities Acquisition and Construction	-	45,960	45,960	-
Capital Outlay:				
Facilities Acquisition and Construction	8,496,159	14,854,736	9,755,630	5,099,106
Total Expenditures	8,496,159	14,900,696	9,801,590	5,099,106
Net Change in Fund Balances	2,201,088	(4,187,449)	(3,488,219)	699,230
Fund Balances, Beginning	6,060,018	6,060,018	6,060,018	-
Fund Balances, Ending	\$ 8,261,106	\$ 1,872,569	\$ 2,571,799	\$ 699,230

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Projects - Other Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sources:				
Class Size Reduction Capital Outlay	\$ 3,967,867	\$ 3,967,867	\$ 3,967,867	\$ -
State Grants and Other	-	-	-	-
Local Sources:				
Local Sales Tax	24,189,257	25,906,354	17,137,576	(8,768,778)
Impact Fees	13,000,000	25,216,865	25,167,131	(49,734)
Investment Earnings	3,652,913	8,333,083	7,929,202	(403,881)
Local Grants and Other	-	-	8,793,668	8,793,668
Total Revenues	<u>44,810,037</u>	<u>63,424,169</u>	<u>62,995,444</u>	<u>(428,725)</u>
<b>Expenditures:</b>				
Current-Education:				
Facilities Acquisition and Construction	-	377,500	377,500	-
Capital Outlay:				
Facilities Acquisition and Construction	191,633,215	232,460,733	123,361,630	109,099,103
Total Expenditures	<u>191,633,215</u>	<u>232,838,233</u>	<u>123,739,130</u>	<u>109,099,103</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(146,823,178)</u>	<u>(169,414,064)</u>	<u>(60,743,686)</u>	<u>108,670,378</u>
<b>Other Financing Sources (Uses):</b>				
Interfund Transfer	-	26,425,883	26,425,882	1
Certificates of Participation Issued	66,000,000	66,785,612	66,785,612	-
Interfund Transfer	-	(26,425,883)	(26,425,882)	(1)
Transfer Out	-	(1,339,073)	(1,339,073)	-
Total Other Financing Sources (Uses)	<u>66,000,000</u>	<u>65,446,539</u>	<u>65,446,539</u>	<u>-</u>
Net Change in Fund Balances	(80,823,178)	(103,967,525)	4,702,853	108,670,378
Fund Balances, Beginning	117,467,124	117,467,124	117,467,124	-
Fund Balances, Ending	<u>\$ 36,643,946</u>	<u>\$ 13,499,599</u>	<u>\$ 122,169,977</u>	<u>\$ 108,670,378</u>

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Projects - State Board of Education Bonds Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Local Sources:				
Investment Earnings	\$ 90,919	\$ 208,687	\$ 203,086	\$ (5,601)
<b>Expenditures:</b>				
Current-Education:				
Facilities Acquisition and Construction	-	-	-	-
Capital Outlay:				
Facilities Acquisition and Construction	4,135,595	4,300,009	216,756	4,083,253
Total Expenditures	4,135,595	4,300,009	216,756	4,083,253
Excess (Deficiency) of Revenues Over Expenditures	(4,044,676)	(4,091,322)	(13,670)	4,077,652
<b>Other Financing Sources (Uses):</b>				
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(4,044,676)	(4,091,322)	(13,670)	4,077,652
Fund Balances, Beginning	4,329,472	4,329,472	4,329,472	-
Fund Balances, Ending	\$ 284,796	\$ 238,150	\$ 4,315,802	\$ 4,077,652

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Projects - Special Act Bonds Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Local Sources:				
Investment Earnings	\$ 63,365	\$ 109,365	\$ 108,445	\$ (920)
<b>Expenditures:</b>				
Current:				
Facilities Acquisition and Construction	-	1,110,133	1,110,133	-
Capital Outlay:				
Facilities Acquisition and Construction	517,442	1,177,342	437,636	739,706
Total Expenditures	517,442	2,287,475	1,547,769	739,706
Net Change in Fund Balance	(454,077)	(2,178,110)	(1,439,324)	738,786
Fund Balance, Beginning	3,734,643	3,734,644	3,734,644	-
Fund Balance, Ending	\$ 3,280,566	\$ 1,556,534	\$ 2,295,320	\$ 738,786

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Projects - Capital Outlay and Debt Service Fund**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sources:				
CO & DS Distributed	\$ 246,593	\$ 464,205	\$ 445,017	\$ (19,188)
State Grants and Other	-	32,408	32,407	(1)
Local Sources:				
Investment Earnings	172,509	307,509	307,472	(37)
Total Revenues	419,102	804,122	784,896	(19,226)
<b>Expenditures:</b>				
Current:				
Facilities Acquisition and Construction	-	157,997	-	157,997
Net Change in Fund Balance	419,102	646,125	784,896	138,771
Fund Balance, Beginning	7,128,997	7,128,997	7,128,997	-
Fund Balance, Ending	\$ 7,548,099	\$ 7,775,122	\$ 7,913,893	\$ 138,771

**District School Board of Pasco County**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Projects - Local Optional Millage Levy Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Local Sources:				
Ad Valorem Taxes	\$ 28,221,233	\$ 29,221,233	\$ 28,960,352	\$ (260,881)
Investment Earnings	395,539	712,539	656,250	(56,289)
Local Grants and Other	-	63,000	-	(63,000)
<b>Total Revenues</b>	<b>28,616,772</b>	<b>29,996,772</b>	<b>29,616,602</b>	<b>(380,170)</b>
<b>Expenditures:</b>				
Current-Education:				
Facilities Acquisition and Construction	-	2,534,948	2,534,948	-
Capital Outlay:				
Facilities Acquisition and Construction	24,239,119	29,619,831	18,118,724	11,501,107
<b>Total Expenditures</b>	<b>24,239,119</b>	<b>32,154,779</b>	<b>20,653,672</b>	<b>11,501,107</b>
Excess (Deficiency) of Revenues Over Expenditures	4,377,653	(2,158,007)	8,962,930	11,120,937
<b>Other Financing Sources (Uses):</b>				
Transfers In	500,000	500,000	-	(500,000)
Transfers Out	(14,380,025)	(14,412,525)	(14,412,525)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(13,880,025)</b>	<b>(13,912,525)</b>	<b>(14,412,525)</b>	<b>(500,000)</b>
Net Change in Fund Balances	(9,502,372)	(16,070,532)	(5,449,595)	10,620,937
Fund Balances, Beginning	17,308,797	17,308,797	17,308,797	-
<b>Fund Balances, Ending</b>	<b>\$ 7,806,425</b>	<b>\$ 1,238,265</b>	<b>\$ 11,859,202</b>	<b>\$ 10,620,937</b>

## **Combining Statements of Internal Service Funds**

Internal Service Funds are used to account for the financing of goods and services provided by one department to another department within the District, on a cost reimbursement basis. This practice provides a separate and complete accounting for all resources accumulated and used in rendering the services and activities listed below.

Group Health Insurance – To account for the financing of the District's fully-insured program for employees' medical and dental benefits.

Flexible Benefits Plan – To account for the financing of the District's optional flexible fringe benefits program, including vision and life benefits, for employees', as provided by Internal Revenue Code Section 125.

Property, Casualty and Liability Self-Insurance – To account for the financing and payment of claims for the District's self-insured property, casualty, liability and workers' compensation program.

Prescription Plan Self-Insurance – To account for the financing and payment of claims for the District's self-insured prescription plan.

Employee Assistance Program – To account for the financing of services provided by the School Board's Employee Assistance Program.

District Print Center – To account for the financing of goods and services provided to District schools and departments by the Print Center.

Energy Management Program – To account for the financing of the District's Energy Management Program.

Exclusive Agreement – To account for the receipt and use of funds received from the District's exclusive agreement with National Beverages, Inc.

**District School Board of Pasco County**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2006**

	Group Health Insurance Plan	Flexible Benefits Plan	Property, Casualty and Liability Self-Insurance Plan
<b>Assets:</b>			
Current Assets:			
Cash with Fiscal Agent	\$ -	\$ 308,107	\$ -
Investments	2,744,595	1,018,411	21,082,486
Accounts Receivable	10,986	107,163	100,249
Prepaid Items			-
Inventories	-	-	-
Total Current Assets	<u>2,755,581</u>	<u>1,433,681</u>	<u>21,182,735</u>
Long-term Assets:			
Capital Assets:			
Furniture, Fixtures and Equipment	-	-	-
Accumulated Depreciation	-	-	-
Total Long-term Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>2,755,581</u>	<u>1,433,681</u>	<u>21,182,735</u>
<b>Liabilities:</b>			
Current Liabilities:			
Payroll Deductions and Withholdings Payable	138	-	153
Accounts Payable	2,468,237	381,712	147,463
Deferred Revenues	113,650	-	-
Total Current Liabilities	<u>2,582,025</u>	<u>381,712</u>	<u>147,616</u>
Long-term Liabilities:			
Due within one year:			
Compensated Absences	41,668	-	19,405
Estimated Long-term Unpaid Claims	-	-	5,401,862
Due in more than one year:			
Compensated Absences	56,863	-	122,718
Estimated Long-term Unpaid Claims	-	-	2,148,009
Total Long-term Liabilities	<u>98,531</u>	<u>-</u>	<u>7,691,994</u>
Total Liabilities	<u>2,680,556</u>	<u>381,712</u>	<u>7,839,610</u>
<b>Net Assets:</b>			
Invested in Capital Assets	-	-	-
Unrestricted	75,025	1,051,969	13,343,125
Total Net Assets	<u>\$ 75,025</u>	<u>\$ 1,051,969</u>	<u>\$ 13,343,125</u>

Prescription Self-Insurance Plan	Employee Assistance Program	District Print Center	Energy Management Programs	Exclusive Agreement	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,107
-	43,028	343,012	6,040,341	1,371,565	32,643,438
311,415	35	24	24	-	529,896
-	-	-	-	-	-
-	-	40,349	-	-	40,349
311,415	43,063	383,385	6,040,365	1,371,565	33,521,790
-	-	2,549	-	93,264	95,813
-	-	(1,354)	-	(4,197)	(5,551)
-	-	1,195	-	89,067	90,262
311,415	43,063	384,580	6,040,365	1,460,632	33,612,052
-	6	140	-	-	437
308,515	8,549	936	347,384	-	3,662,796
-	-	-	-	-	113,650
308,515	8,555	1,076	347,384	-	3,776,883
-	4,364	44,378	14,735	-	124,550
-	-	-	-	-	5,401,862
-	30,144	-	6,526	-	216,251
-	-	-	-	-	2,148,009
-	34,508	44,378	21,261	-	7,890,672
308,515	43,063	45,454	368,645	-	11,667,555
-	-	1,195	-	89,067	90,262
2,900	-	337,931	5,671,720	1,371,565	21,854,235
\$ 2,900	\$ -	\$ 339,126	\$ 5,671,720	\$ 1,460,632	\$ 21,944,497

**District School Board of Pasco County**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Group Health Insurance Plan	Flexible Benefits Plan	Property, Casualty and Liability Self-Insurance Plan
<b>Operating Revenues:</b>			
Insurance Premiums:			
Board Contributions	\$ 30,342,144	\$ 1,207,809	\$ 10,902,372
Employees	5,680,686	-	-
Retirees	2,461,222	-	-
Charges for Services Provided	-	-	-
Other Receipts	-	-	429,278
Total Operating Revenues	<u>38,484,052</u>	<u>1,207,809</u>	<u>11,331,650</u>
<b>Operating Expenses:</b>			
Salaries	383,520	-	178,189
Employee Benefits	101,947	-	393,398
Purchased Services	3,471,321	991,761	611,812
Insurance Premiums	34,459,934	-	3,513,380
Insurance Claims	-	-	3,773,515
Energy Services	-	-	-
Materials and Supplies	2,681	-	6,431
Capital Outlay	3,448	-	8,206
Other	-	-	-
Total Operating Expenses	<u>38,422,851</u>	<u>991,761</u>	<u>8,484,931</u>
Operating Income (Loss)	<u>61,201</u>	<u>216,048</u>	<u>2,846,719</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment Earnings	10,520	40,717	580,913
Loss Recoveries	-	-	2,003,994
Total Nonoperating Revenues (Expenses)	<u>10,520</u>	<u>40,717</u>	<u>2,584,907</u>
Income Before Transfers	71,721	256,765	5,431,626
Transfers In	-	-	200,000
Change in Net Assets	71,721	256,765	5,631,626
Net Assets, Beginning	3,304	795,204	7,711,499
Net Assets, Ending	<u>\$ 75,025</u>	<u>\$ 1,051,969</u>	<u>\$ 13,343,125</u>

Prescription Self-Insurance Plan	Employee Assistance Program	District Print Center	Energy Management Program	Exclusive Agreement	Totals
\$ 7,401,863	\$ -	\$ -	\$ -	\$ -	\$ 49,854,188
-	-	-	-	-	5,680,686
-	-	-	-	-	2,461,222
-	-	740,920	10,290,233	-	11,031,153
-	208,340	-	60,122	315,894	1,013,634
<u>7,401,863</u>	<u>208,340</u>	<u>740,920</u>	<u>10,350,355</u>	<u>315,894</u>	<u>70,040,883</u>
-	82,753	292,742	127,194	-	1,064,398
-	19,702	85,684	30,632	-	631,363
50,314	104,819	163,454	1,279,702	104,725	6,777,908
-	-	-	-	-	37,973,314
7,351,549	-	-	-	-	11,125,064
-	-	-	8,365,484	-	8,365,484
-	1,132	171,465	31	3,661	185,401
-	-	1,740	35	-	13,429
-	-	211	-	4,197	4,408
<u>7,401,863</u>	<u>208,406</u>	<u>715,296</u>	<u>9,803,078</u>	<u>112,583</u>	<u>66,140,769</u>
-	(66)	25,624	547,277	203,311	3,900,114
-	66	13,925	218,289	52,819	917,249
-	-	-	-	-	2,003,994
-	66	13,925	218,289	52,819	2,921,243
-	-	39,549	765,566	256,130	6,821,357
-	-	-	-	-	200,000
-	-	39,549	765,566	256,130	7,021,357
2,900	-	299,577	4,906,154	1,204,502	14,923,140
<u>\$ 2,900</u>	<u>\$ -</u>	<u>\$ 339,126</u>	<u>\$ 5,671,720</u>	<u>\$ 1,460,632</u>	<u>\$ 21,944,497</u>

**District School Board of Pasco County**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2006**

	Group Health Insurance Plan	Flexible Benefits Plan	Property, Casualty and Liability Self-Insurance Plan
<b>Cash Flows from Operating Activities:</b>			
Receipts from Interfund Services Provided	\$ 38,480,487	\$ 1,200,176	\$ 10,882,457
Payments for Insurance Claims	-	-	(3,602,071)
Payments to Suppliers	(38,658,078)	(893,018)	(3,535,104)
Payments to Employees	(470,432)	-	(558,540)
Other Receipts	-	-	429,278
Net Cash Provided (Used) by Operating Activities	<u>(648,023)</u>	<u>307,158</u>	<u>3,616,020</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In	-	-	200,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>200,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Loss Recoveries	-	-	2,003,994
Acquisition of Capital Assets	-	-	-
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>2,003,994</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	10,520	40,717	580,913
Net Cash Provided by Investing Activities	<u>10,520</u>	<u>40,717</u>	<u>580,913</u>
Net Change in Cash and Cash Equivalents	(637,503)	347,875	6,400,927
Cash and Cash Equivalents, Beginning	3,382,098	978,643	14,681,559
Cash and Cash Equivalents, Ending	<u>\$ 2,744,595</u>	<u>\$ 1,326,518</u>	<u>\$ 21,082,486</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 61,201	\$ 216,048	\$ 2,846,719
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense			
Change in Assets and Liabilities:			
Accounts Receivable	(3,565)	(7,633)	(19,912)
Inventories			
Payroll Deductions and Withholdings Payable	(1,309)	-	(554)
Accounts Payable	(735,078)	98,743	71,358
Deferred Revenues	15,278	-	-
Compensated Absences Payable	15,450	-	13,600
Estimated Long-term Unpaid Claims	-	-	704,809
Total Adjustments	<u>(709,224)</u>	<u>91,110</u>	<u>769,301</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (648,023)</u>	<u>\$ 307,158</u>	<u>\$ 3,616,020</u>

Prescription Self-Insurance Plan	Employee Assistance Program	District Print Center	Energy Management Program	Exclusive Agreement	Totals
\$ 7,364,094	\$ -	\$ 740,897	\$ 10,290,210	\$ -	\$ 68,958,321
(7,351,549)	-	-	-	-	(10,953,620)
(37,423)	(97,450)	(346,699)	(9,407,721)	(108,386)	(53,083,879)
-	(92,484)	(373,627)	(152,295)	-	(1,647,378)
-	208,339	-	60,122	315,894	1,013,633
(24,878)	18,405	20,571	790,316	207,508	4,287,077
-	-	-	-	-	200,000
-	-	-	-	-	-
-	-	-	-	-	200,000
-	-	-	-	-	2,003,994
-	-	(1,279)	-	(93,264)	(94,543)
-	-	(1,279)	-	(93,264)	1,909,451
-	66	13,925	218,289	52,819	917,249
-	66	13,925	218,289	52,819	917,249
(24,878)	18,471	33,217	1,008,605	167,063	7,313,777
24,878	24,557	309,795	5,031,736	1,204,502	25,637,768
\$ -	\$ 43,028	\$ 343,012	\$ 6,040,341	\$ 1,371,565	\$ 32,951,545
\$ -	\$ (66)	\$ 25,624	\$ 547,277	\$ 203,311	\$ 3,900,114
		211		4,197	4,408
(37,769)	(35)	(24)	(24)	-	(68,962)
-	(138)	(9,120)	(211)	-	(9,120)
-	(428)	(211)	(211)	-	(2,640)
12,891	8,536	(920)	237,532	-	(306,938)
-	-	-	-	-	15,278
-	10,108	5,228	5,742	-	50,128
-	-	-	-	-	704,809
(24,878)	18,471	(5,053)	243,039	4,197	386,963
\$ (24,878)	\$ 18,405	\$ 20,571	\$ 790,316	\$ 207,508	\$ 4,287,077

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### **Combining Schedules of Agency Funds**

Agency Funds are used to account for financial resources held by the District as an agent. Assets accounted for in an agency fund belong to the party or parties for which the District acts as an agent. Therefore, agency fund assets are offset by liabilities equal in amount. Agency funds do not report net assets.

School Internal Accounts - To account for financial resources collected by the schools and held by the District as an agent, which will be used for school and student athletic activities, class activities and club activities.

ABC Program - To account for employee and public donations, held by the District as an agent, to be used to assist financially disadvantaged students enrolled in Pasco County schools.

**District School Board of Pasco County**  
**Combining Schedule of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2006**

	<b>School Internal Accounts</b>	<b>ABC Program</b>	<b>Total</b>
<b>Assets:</b>			
Cash	\$ 5,089,648	\$ -	\$ 5,089,648
Investments	-	25,093	25,093
Accounts Receivable	25,525	-	25,525
Inventories	75,146	-	75,146
Total Assets	<u>\$ 5,190,319</u>	<u>\$ 25,093</u>	<u>\$ 5,215,412</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 327,728	\$ -	\$ 327,728
Internal Accounts Payable	4,862,591	-	4,862,591
ABC Program Payable	-	25,093	25,093
Total Liabilities	<u>\$ 5,190,319</u>	<u>\$ 25,093</u>	<u>\$ 5,215,412</u>

**District School Board of Pasco County**  
**Combining Schedule of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2006**

	<b>School Internal Accounts</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Assets:</b>				
Cash	\$ 4,597,744	\$ 491,904	\$ -	\$ 5,089,648
Accounts Receivable	13,981	11,544	-	25,525
Inventories	70,272	4,874	-	75,146
Total Assets	<u>\$ 4,681,997</u>	<u>\$ 508,322</u>	<u>\$ -</u>	<u>\$ 5,190,319</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 263,393	\$ 82,230	\$ 17,895	\$ 327,728
Internal Accounts Payable	4,418,604	443,987	-	4,862,591
Total Liabilities	<u>\$ 4,681,997</u>	<u>\$ 526,217</u>	<u>\$ 17,895</u>	<u>\$ 5,190,319</u>

	<b>ABC Program</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Assets:</b>				
Investments	\$ 16,878	\$ 8,215	\$ -	\$ 25,093
<b>Liabilities:</b>				
ABC Program Payable	\$ 16,878	\$ 8,215	\$ -	\$ 25,093

	<b>Total Agency Funds</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Assets:</b>				
Cash	\$ 4,597,744	\$ 491,904	\$ -	\$ 5,089,648
Accounts Receivable	13,981	11,544	-	25,525
Investments	16,878	8,215	-	25,093
Inventories	70,272	4,874	-	75,146
Total Assets	<u>\$ 4,698,875</u>	<u>\$ 516,537</u>	<u>\$ -</u>	<u>\$ 5,215,412</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 263,393	\$ 82,230	\$ 17,895	\$ 327,728
Internal Accounts Payable	4,418,604	443,987	-	4,862,591
ABC Program Payable	16,878	8,215	-	25,093
Total Liabilities	<u>\$ 4,698,875</u>	<u>\$ 534,432</u>	<u>\$ 17,895</u>	<u>\$ 5,215,412</u>

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## **Combining Schedules of Component Units**

Component units are entities and/or organizations for which the School Board is financially accountable. Due to the nature and significance of their relationship with the School Board exclusion of these entities and/or organizations would cause the District's basic financial statements to be misleading or incomplete. The component units columns in the government-wide financial statements, Exhibits A and B, include consolidated financial data for the following component units:

Academy at the Farm, Inc. – Focuses on creatively integrating equestrian, horticultural and farm animal components into an interactive, inclusive learning environment.

Countryside Montessori Charter School, Inc. – Centers programs on providing an alternative elementary education program.

Dayspring Academy for Education and the Arts – Emphasizes the fine arts, offering students specialized instruction in dance, music, and art.

Deerwood Academy – Ceased operations in October 2003.

The Language Academy Charter School, Inc. – Focuses on creating an atmosphere where language and content learning are reinforced in a variety of modalities.

Pasco Education Foundation, Inc. – A separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest and administer property and to make expenditures to or for the benefit of the District.

**District School Board of Pasco County**  
**Combining Schedules of Net Assets**  
**Component Units**  
**June 30, 2006**

	<b>Academy at the Farm, Inc.</b>	<b>Countryside Montessori Charter School, Inc.</b>	<b>Dayspring Academy for Education and the Arts</b>
<b>Assets:</b>			
Cash	\$ 107,251	\$ 152,952	\$ 130,849
Investments	-	-	4,085
Accounts Receivable	61,899	10,000	58,729
Due From Other Agencies	104,396	2,694	-
Prepaid Expenses	7,508	-	6,390
Capital Assets (net of accumulated depreciation):			
Land	-	-	300,483
Improvements Other Than Buildings	-	-	6,544
Leasehold Property and Improvements	16,589	99,977	-
Buildings and Fixed Equipment	-	-	1,081,127
Furniture, Fixtures and Equipment	80,268	35,600	102,730
Motor Vehicles	-	-	1,533
Audio Visual Materials	-	-	-
Total Assets	<u>377,911</u>	<u>301,223</u>	<u>1,692,470</u>
<b>Liabilities:</b>			
Current Liabilities:			
Salaries and Wages Payable	8,559	-	227,485
Accounts Payable	50,240	-	39,262
Due to Student Groups	2,428	-	18,271
Total Current Liabilities	<u>61,227</u>	<u>-</u>	<u>285,018</u>
Long-term Liabilities:			
Due within one year:			
Note Payable	78,261	-	27,857
Compensated Absences	16,090	-	25,005
Capital Lease Obligations	2,435	-	10,814
Total Due within one year	<u>96,786</u>	<u>-</u>	<u>63,676</u>
Due in more than one year:			
Note Payable	-	-	895,820
Capital Lease Obligations	223	-	49,720
Total Due in more than one year	<u>223</u>	<u>-</u>	<u>945,540</u>
Total Liabilities	<u>158,236</u>	<u>-</u>	<u>1,294,234</u>
<b>Net Assets (Deficit):</b>			
Invested in Capital Assets, Net of Related Debt	94,199	135,577	508,206
Restricted	-	-	-
Unrestricted	125,476	165,646	(109,970)
Total Net Assets (Deficit)	<u>\$ 219,675</u>	<u>\$ 301,223</u>	<u>\$ 398,236</u>

<b>The Language Academy Charter School, Inc.</b>	<b>Pasco Education Foundation, Inc.</b>	<b>Total Component Units</b>
\$ 5,254	\$ 536,854	\$ 933,160
-	1,011,620	1,015,705
-	21,719	152,347
4,856	-	111,946
2,276	844,506	860,680
-	-	300,483
-	-	6,544
-	-	116,566
-	-	1,081,127
1,816	-	220,414
4,111	-	5,644
-	-	-
<u>18,313</u>	<u>2,414,699</u>	<u>4,804,616</u>
47,738	-	283,782
119,436	110,447	319,385
1,040	-	21,739
<u>168,214</u>	<u>110,447</u>	<u>624,906</u>
-	-	106,118
-	-	41,095
-	-	13,249
<u>-</u>	<u>-</u>	<u>160,462</u>
-	-	895,820
-	-	49,943
<u>-</u>	<u>-</u>	<u>945,763</u>
<u>168,214</u>	<u>110,447</u>	<u>1,731,131</u>
5,927	-	743,909
-	2,161,966	2,161,966
(155,828)	142,286	167,610
<u>\$ (149,901)</u>	<u>\$ 2,304,252</u>	<u>\$ 3,073,485</u>

**District School Board of Pasco County**  
**Combining Schedules of Activities**  
**Component Units**  
**For the Fiscal Year Ended June 30, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Academy at the Farm, Inc. Activities:</b>					
Instruction	\$ 1,017,570	\$ -	\$ -	\$ -	\$ (1,017,570)
Instructional Staff Training	21,342	-	-	-	(21,342)
School Administration	299,116	-	-	-	(299,116)
Fiscal Services	66,659	-	-	-	(66,659)
Food Services	23,561	55,652	-	-	32,091
Operation of Plant	168,688	-	-	-	(168,688)
Maintenance of Plant	10,586	-	-	-	(10,586)
Depreciation-Unallocated	44,925	-	-	-	(44,925)
Total Academy at the Farm, Inc. Activities	\$ 1,652,447	\$ 55,652	\$ -	\$ -	(1,596,795)

**General Revenues:**

Grants and Contributions not Restricted to Specific Programs	1,513,918
Total General Revenues	1,513,918
Change in Net Assets	(82,877)
Net Assets, Beginning	302,552
Net Assets, Ending	\$ 219,675

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Countryside Montessori Charter School, Inc. Activities:</b>					
Instruction	\$ 380,893	\$ -	\$ -	\$ -	\$ (380,893)
Instructional Staff Training	4,800	-	-	-	(4,800)
School Administration	157,055	-	-	-	(157,055)
Fiscal Services	32,307	-	-	-	(32,307)
Food Services	5,274	9,049	-	-	3,775
Transportation	2,012	4,573	-	-	2,561
Operation of Plant	157,043	-	-	48,002	(109,041)
Maintenance of Plant	1,217	-	-	-	(1,217)
Community Services	91,740	-	-	-	(91,740)
Depreciation-Unallocated	43,727	-	-	-	(43,727)
Total Countryside Montessori Charter School, Inc. Activities	\$ 876,068	\$ 13,622	\$ -	\$ 48,002	(814,444)

**General Revenues:**

Grants and Contributions not Restricted to Specific Programs	766,453
Total General Revenues	766,453
Change in Net Assets	(47,991)
Net Assets, Beginning	349,214
Net Assets, Ending	\$ 301,223

<b>Dayspring Academy for Education and the Arts Activities:</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Instruction	\$ 1,340,557	\$ -	\$ 8,448	\$ -	\$ (1,332,109)
Instructional Staff Training	2,933	-	-	-	(2,933)
School Administration	472,775	-	-	-	(472,775)
Facilities Acquisition and Construction	69,821	-	-	-	(69,821)
Fiscal Services	125,491	-	-	-	(125,491)
Food Services	84,327	59,121	-	-	(25,206)
Pupil Transportation Services	19,552	-	-	-	(19,552)
Operation of Plant	226,925	-	-	-	(226,925)
Maintenance of Plant	5,236	-	-	-	(5,236)
Depreciation-Unallocated	74,409	-	-	-	(74,409)
Total Dayspring Academy for Education and the Arts Activities	<u>\$ 2,422,026</u>	<u>\$ 59,121</u>	<u>\$ 8,448</u>	<u>\$ -</u>	<u>(2,354,457)</u>

**General Revenues:**

Grants and Contributions not Restricted to Specific Programs	2,214,038
Total General Revenues	<u>2,214,038</u>
Change in Net Assets	(140,419)
Net Assets, Beginning	538,655
Net Assets, Ending	<u>\$ 398,236</u>

<b>The Language Academy Charter School, Inc. Activities:</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Instruction	\$ 350,352	\$ -	\$ -	\$ -	\$ (350,352)
Instructional Staff Training	2,266	-	-	-	(2,266)
School Administration	127,445	-	-	-	(127,445)
Facilities Acquisition and Construction	68,000	-	-	-	(68,000)
Fiscal Services	101,803	-	-	-	(101,803)
Food Services	20,885	15,589	-	-	(5,296)
Pupil Transportation Services	17,855	-	-	-	(17,855)
Operation of Plant	31,354	-	-	-	(31,354)
Depreciation-Unallocated	5,963	-	-	-	(5,963)
Total The Language Academy Charter School, Inc. Activities	<u>\$ 725,923</u>	<u>\$ 15,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(710,334)</u>

**General Revenues:**

Grants and Contributions not Restricted to Specific Programs	698,189
Total General Revenues	<u>698,189</u>
Change in Net Assets	(12,145)
Net Deficit, Beginning	(137,756)
Net Deficit, Ending	<u>\$ (149,901)</u>

(Continued)

**District School Board of Pasco County**  
**Combining Schedules of Activities**  
**Component Units**  
**For the Fiscal Year Ended June 30, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b><u>Pasco Education Foundation, Inc. Activities:</u></b>				
Community Services	\$ 718,622	\$ -	\$ -	\$ (718,622)

**General Revenues:**

Grants and Contributions not Restricted to Specific Programs	1,436,813
Investment Earnings	8,063
Total General Revenues	1,444,876
Change in Net Assets	726,254
Net Assets, Beginning	1,577,998
Net Assets, Ending	\$ 2,304,252

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b><u>Total Component Units Activities:</u></b>				
Instruction	\$ 3,089,372	\$ -	\$ 8,448	\$ (3,080,924)
Instructional Staff Training	31,341	-	-	(31,341)
School Administration	1,056,391	-	-	(1,056,391)
Facilities Acquisition and Construction	137,821	-	-	(137,821)
Fiscal Services	326,260	-	-	(326,260)
Food Services	134,047	139,411	-	5,364
Pupil Transportation Services	39,419	4,573	-	(34,846)
Operation of Plant	584,010	-	-	(536,008)
Maintenance of Plant	17,039	-	-	(17,039)
Community Services	810,362	-	-	(810,362)
Depreciation-Unallocated	169,024	-	-	(169,024)
Total Component Units Activities	\$ 6,395,086	\$ 143,984	\$ 8,448	\$ 48,002

**General Revenues:**

Grants and Contributions not Restricted to Specific Programs	6,629,411
Investment Earnings	8,063
Total General Revenues	6,637,474
Change in Net Assets	442,822
Net Assets, Beginning	2,630,663
Net Assets, Ending	\$ 3,073,485

# **STATISTICAL SECTION**

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**District School Board of Pasco County**  
**Net Assets by Component - Primary Government**  
**Last Five Fiscal Years (A)**  
**(Unaudited)**

	<b>For the Fiscal Year Ending</b>				
	<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
<b>Primary government</b>					
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 230,936,279	\$ 253,158,057	\$ 277,057,761	\$ 284,226,371	\$ 315,300,551
Restricted	79,311,646	86,875,402	92,616,679	132,104,422	182,950,393
Unrestricted	4,571,949	8,190,015	25,890,788	26,058,611	23,653,509
<b>Total primary government net assets</b>	<u>\$ 314,819,874</u>	<u>\$ 348,223,474</u>	<u>\$ 395,565,228</u>	<u>\$ 442,389,404</u>	<u>\$ 521,904,453</u>

Note: (A) The District implemented GASB Statement 34 in 2002.

Source: District records

**District School Board of Pasco County**  
**Changes in Net Assets - Primary Government**  
**Last Five Fiscal Years (A)**  
**(Unaudited)**

	<b>For the Fiscal Year Ending</b>				
	<b>June 30, 2002</b>	<b>June 30, 2003</b>	<b>June 30, 2004</b>	<b>June 30, 2005</b>	<b>June 30, 2006</b>
<b>Primary Government:</b>					
<b>Expenses</b>					
Governmental Activities					
Instruction	\$ 173,027,222	\$ 185,522,121	\$ 232,211,511	\$ 249,481,508	\$ 285,533,308
Pupil Personnel Services	17,473,772	18,778,908	19,469,785	21,156,345	23,764,750
Instructional Media Services	7,486,080	7,943,809	8,225,851	8,899,097	9,456,379
Inst. and Curriculum Development Services	8,193,854	6,695,992	8,452,430	8,024,881	9,088,378
Instructional Staff Training	8,648,679	10,554,709	10,232,251	11,448,750	8,052,983
Instructional Related Technology	-	-	-	-	4,210,967
Board of Education	816,580	1,140,096	1,370,793	1,399,327	1,643,566
General Administration	1,199,112	1,149,336	1,283,059	1,174,386	2,169,506
School Administration	19,753,941	21,681,662	23,980,247	24,847,257	27,011,932
Facilities Acquisition and Construction	3,511,569	3,653,309	5,242,411	7,226,608	9,250,352
Fiscal Services	1,646,776	1,812,594	1,921,790	2,104,263	2,185,931
Food Services	17,927,530	19,698,367	22,153,742	23,244,513	25,144,171
Central Services	6,665,024	7,131,988	7,968,624	7,654,273	3,548,220
Pupil Transportation Services	13,956,938	15,150,867	17,541,767	20,260,829	22,880,871
Operation of Plant	20,438,905	25,567,173	25,010,607	30,108,432	35,355,100
Maintenance of Plant	8,200,258	8,651,843	9,648,268	10,598,270	11,565,861
Administrative Technology Services	-	-	-	-	1,704,019
Community Services	624,560	587,070	673,936	874,940	690,445
Interest on Long-term Liabilities	8,123,775	7,404,121	7,872,993	9,274,923	11,446,561
Depreciation-Unallocated	18,056,664	18,714,146	635,665	-	-
Total primary government expenses	<u>\$ 335,751,239</u>	<u>\$ 361,838,111</u>	<u>\$ 403,895,730</u>	<u>\$ 437,778,602</u>	<u>\$ 494,703,300</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services					
Instruction	\$ -	\$ -	\$ 524,953	\$ 498,499	\$ 184,065
Food Services	7,890,846	8,174,320	9,337,438	10,080,135	11,271,276
Pupil Transportation Services	-	-	800,264	844,600	654,925
Operating grants and contributions					
Food Services	10,768,705	11,537,646	12,058,407	13,164,679	13,691,478
Pupil Transportation Services	11,643,281	12,409,491	12,691,418	13,790,907	14,442,157
Capital grants and contributions					
Operation and maintenance of plant	3,719,422	1,387,748	2,591,195	3,778,361	3,719,897
Facilities acquisition and construction	9,870,843	16,404,602	31,270,221	19,629,060	32,360,065
Interest on long-term debt	1,816,977	1,816,360	1,928,624	1,992,073	2,121,752
Total primary government program revenues	<u>45,710,074</u>	<u>51,730,167</u>	<u>71,202,520</u>	<u>63,778,314</u>	<u>78,445,615</u>
<b>Net (Expense) Revenue-Primary Government</b>	<u>\$ (290,041,165)</u>	<u>\$ (310,107,944)</u>	<u>\$ (332,693,210)</u>	<u>\$ (374,000,288)</u>	<u>\$ (416,257,685)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Taxes					
Property Taxes, Levied for general purposes	\$ 67,955,373	\$ 75,505,300	\$ 85,299,507	\$ 96,731,933	\$ 116,114,859
Property Taxes, Levied for debt services	6,848,384	6,817,073	5,691,990	5,827,079	5,506,507
Property Taxes, Levied for capital purposes	21,151,817	23,591,081	26,719,999	23,941,847	28,960,352
Local sales taxes	-	-	-	7,009,724	17,137,576
Grants and contributions not restricted to Specific Programs	211,340,660	227,645,628	253,013,763	268,260,814	293,780,194
Miscellaneous	7,358,214	7,542,235	7,213,634	13,968,454	22,049,977
Unrestricted investment earnings	2,604,425	2,410,227	2,096,071	5,084,613	12,144,845
Total primary government general revenues	<u>\$ 317,258,873</u>	<u>\$ 343,511,544</u>	<u>\$ 380,034,964</u>	<u>\$ 420,824,464</u>	<u>\$ 495,694,310</u>
<b>Changes in Net Assets</b>					
Total primary government	<u>\$ 27,217,708</u>	<u>\$ 33,403,600</u>	<u>\$ 47,341,754</u>	<u>\$ 46,824,176</u>	<u>\$ 79,436,625</u>

Note: (A) The District implemented GASB Statement 34 in 2002.

Source: District records

**District School Board of Pasco County**  
**Fund Balances, Governmental Funds**  
**Last 10 Fiscal Years**  
**(Unaudited)**

	For the Fiscal Year Ending				
	<u>June 30, 1997</u>	<u>June 30, 1998</u>	<u>June 30, 1999</u>	<u>June 30, 2000</u>	<u>June 30, 2001</u>
<b>General Fund:</b>					
Reserved	\$ 3,952,130	\$ 8,245,233	\$ 10,201,601	\$ 13,966,662	\$ 15,062,635
Unreserved	8,165,565	8,964,961	10,764,990	8,227,445	14,436,136
<b>Total General Fund</b>	<u>\$ 12,117,695</u>	<u>\$ 17,210,194</u>	<u>\$ 20,966,591</u>	<u>\$ 22,194,107</u>	<u>\$ 29,498,771</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 22,685,941	\$ 33,518,967	\$ 45,874,348	\$ 11,599,223	\$ 26,066,926
Unreserved, reported in:					
Capital Projects funds	83,495,400	66,836,494	60,750,576	63,854,132	43,463,967
Special Revenue funds	229,155	1,100,514	1,085,199	1,080,238	886,391
<b>Total all other government funds</b>	<u>\$106,410,496</u>	<u>\$101,455,975</u>	<u>\$ 107,710,123</u>	<u>\$ 76,533,593</u>	<u>\$ 70,417,284</u>

Source: District records

<b>For the Fiscal Year Ending</b>				
<b><u>June 30, 2002</u></b>	<b><u>June 30, 2003</u></b>	<b><u>June 30, 2004</u></b>	<b><u>June 30, 2005</u></b>	<b><u>June 30, 2006</u></b>
\$13,813,138	\$19,023,621	\$ 20,765,087	\$ 29,826,188	\$ 30,718,655
22,228,986	23,759,323	27,424,436	22,854,329	22,662,970
<u>\$36,042,124</u>	<u>\$42,782,944</u>	<u>\$ 48,189,523</u>	<u>\$ 52,680,517</u>	<u>\$ 53,381,625</u>
\$12,540,865	\$41,226,410	\$ 17,114,439	\$ 52,272,443	\$ 113,597,825
55,313,926	31,418,093	137,603,806	117,450,717	52,323,149
1,006,579	67,732	7,615,190	414,307	1,112,459
<u>\$68,861,370</u>	<u>\$72,712,235</u>	<u>\$ 162,333,435</u>	<u>\$ 170,137,467</u>	<u>\$ 167,033,433</u>

**District School Board of Pasco County**  
**Changes in Fund Balances - Governmental Funds**  
**and Debt Service Ratio**  
**Last 10 Fiscal Years**  
**(Unaudited)**

	For the Fiscal Year Ending				
	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000	June 30, 2001
<b>Revenues:</b>					
Federal Sources:					
Federal Grants	\$ 11,006,553	\$ 12,948,680	\$ 16,818,564	\$ 21,067,200	\$ 21,791,222
Food Services	7,455,052	7,800,901	7,825,979	8,427,703	9,238,077
Total Federal Sources	<u>18,461,605</u>	<u>20,749,581</u>	<u>24,644,543</u>	<u>29,494,903</u>	<u>31,029,299</u>
State Sources:					
Florida Education Finance Program	113,913,479	127,965,368	142,980,337	136,001,545	158,568,220
Public Education Capital Outlay	14,669,231	1,479,894	5,125,719	4,092,481	6,725,315
Food Services	333,695	343,239	322,773	305,707	300,233
State Grants and Other	22,153,481	35,145,706	58,997,236	48,792,771	60,681,349
Total State Sources	<u>151,069,886</u>	<u>164,934,207</u>	<u>207,426,065</u>	<u>189,192,504</u>	<u>226,275,117</u>
Local Sources:					
Property Taxes	59,899,777	77,715,301	85,071,944	85,200,310	89,115,509
Food Service sales	5,163,784	5,304,441	5,950,071	6,422,854	7,233,973
Interest Income and other	2,475,679	7,958,953	6,656,220	7,640,598	5,331,475
Local grants and other	21,151,069	5,291,048	4,106,358	6,503,589	5,870,809
Total local sources	<u>88,690,309</u>	<u>96,269,743</u>	<u>101,784,593</u>	<u>105,767,351</u>	<u>107,551,766</u>
Total Revenues	<u>258,221,800</u>	<u>281,953,531</u>	<u>333,855,201</u>	<u>324,454,758</u>	<u>364,856,182</u>
<b>Expenditures:</b>					
Current-Education:					
Instruction	126,279,014	137,443,180	148,728,618	153,563,579	162,849,720
Pupil Personnel Services	12,511,994	13,551,580	14,462,656	15,089,529	16,526,054
Instructional Media Services	6,364,577	6,591,161	6,424,434	6,929,048	7,360,835
Inst. and Curriculum Development Services	7,928,254	9,281,180	11,043,121	11,065,757	12,056,880
Instructional Staff Training	1,784,636	2,217,831	2,660,349	3,202,895	3,962,652
Instructional Related Technology	-	-	-	-	-
Board of Education	407,066	434,426	512,013	515,692	644,358
General Administration	873,779	786,647	794,458	897,961	1,105,118
School Administration	13,810,937	15,376,280	16,374,069	16,569,988	18,296,006
Facilities Acquisition and Construction	2,352,330	2,403,714	2,061,220	62,410,412	54,688,949
Fiscal Services	1,117,818	1,220,919	1,349,522	1,520,806	1,587,112
Food Services	13,364,466	12,662,227	14,022,944	14,865,824	16,138,072
Central Services	5,216,652	5,376,913	6,092,156	6,103,036	6,919,305
Pupil Transportation Services	9,900,317	10,432,805	11,235,665	12,438,044	13,356,634
Operation of Plant	16,193,570	18,089,648	19,501,098	19,084,291	20,256,022
Maintenance of Plant	6,353,554	6,446,554	7,071,699	7,366,646	7,319,157
Administrative Technology Services	-	-	-	-	-
Community Services	478,095	579,564	384,955	684,672	580,016
Capital Outlay:					
Facilities Acquisition and Construction	29,231,032	27,741,334	38,514,444	666,613	887,934
Other Capital Outlay	1,884,949	1,835,176	3,156,294	3,670,565	3,154,679
Debt Service:					
Principal	6,665,000	5,342,999	10,267,262	7,721,000	8,036,000
Interest	6,128,196	8,284,981	7,642,030	6,992,489	6,762,724
Fiscal Charges	1,936,058	1,652,721	2,173,884	2,417,415	1,303,386
Total Expenditures	<u>270,782,294</u>	<u>287,751,840</u>	<u>324,472,891</u>	<u>353,776,262</u>	<u>363,791,613</u>
<b>Excess (Deficiency) of Revenues Over Expenditure</b>	(12,560,494)	(5,798,309)	9,382,310	(29,321,504)	1,064,569
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	88,167,538	5,264,524	1,994,567	(743,174)	-
Proceeds from the Sale of Capital Assets	227,803	361,723	215,602	422,525	408,395
Transfers in	8,842,120	7,195,540	12,024,127	12,088,049	8,643,988
Transfers Out	(9,020,114)	(7,986,015)	(12,505,547)	(12,394,910)	(8,928,597)
Total Other Financing Sources (Uses)	<u>88,217,347</u>	<u>4,835,772</u>	<u>1,728,749</u>	<u>(627,510)</u>	<u>123,786</u>
<b>Net Change in Fund Balances</b>	<u>\$ 75,656,853</u>	<u>\$ (962,537)</u>	<u>\$ 11,111,059</u>	<u>\$(29,949,014)</u>	<u>\$ 1,188,355</u>
Debt service as a percentage of noncapital expenditure	6.15%	5.92%	7.10%	4.90%	4.48%

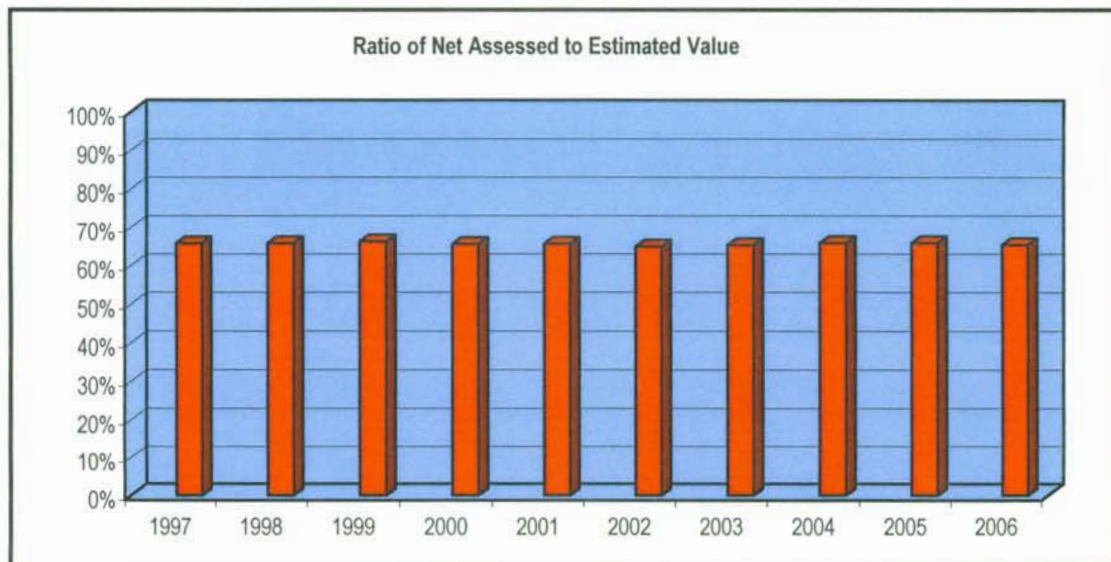
For the Fiscal Year Ending				
June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
\$ 24,137,321	\$ 26,678,188	\$ 29,851,174	\$ 32,356,248	\$ 39,534,258
10,433,683	11,193,116	11,711,559	12,809,355	13,241,412
34,571,004	37,871,304	41,562,733	45,165,603	52,775,670
159,962,932	178,891,142	186,318,235	193,043,959	200,638,043
6,939,814	9,188,024	2,591,195	8,532,339	6,276,697
328,015	344,530	346,848	355,324	450,066
38,816,085	35,685,425	72,217,070	63,561,130	74,807,937
206,046,846	224,109,121	261,473,348	265,492,752	282,172,743
96,079,073	106,045,757	117,711,496	126,476,401	150,581,718
7,763,522	8,131,164	9,337,438	10,080,135	11,218,023
2,604,425	2,245,513	1,931,693	4,732,004	12,119,203
13,415,153	16,444,875	18,959,363	32,711,282	61,410,331
119,862,173	132,867,309	147,940,010	173,999,822	235,329,275
360,480,023	394,847,734	450,976,091	484,658,177	570,277,688
172,207,491	186,201,942	217,194,639	233,509,362	267,722,522
17,439,150	18,749,083	19,477,582	21,062,301	23,602,641
7,350,072	7,955,608	7,917,753	8,668,730	9,174,479
8,347,745	7,800,511	7,516,009	8,218,853	9,055,144
8,645,969	9,590,885	9,931,680	11,271,261	8,514,846
-	-	-	-	3,601,604
816,580	1,131,241	1,307,482	1,419,980	1,694,729
1,207,812	1,137,085	1,219,732	1,192,890	1,695,006
19,585,052	21,450,583	22,842,424	24,595,874	27,011,757
3,509,163	4,042,513	3,673,013	5,143,051	5,813,105
1,642,500	1,776,948	1,795,050	2,018,434	2,230,050
17,927,530	19,698,367	21,457,407	23,103,185	25,057,154
6,818,844	7,043,454	7,425,925	7,444,562	7,097,572
13,800,235	15,090,707	16,674,101	19,003,325	21,827,807
22,164,077	25,367,491	26,927,868	31,827,115	35,057,234
7,994,871	8,629,940	9,401,376	10,192,985	11,191,370
-	-	-	-	1,704,019
623,996	477,035	703,861	836,651	714,491
28,151,070	31,781,067	30,235,927	49,969,607	152,246,322
2,591,791	2,612,226	2,309,026	2,593,958	3,421,282
8,536,000	8,872,000	7,615,000	8,010,000	10,080,000
5,030,994	4,125,435	3,670,519	6,132,698	8,850,650
3,287,634	3,569,026	4,519,550	3,022,013	3,206,317
357,678,576	387,103,147	423,815,924	479,236,835	640,550,101
2,801,447	7,744,587	27,160,167	5,421,342	(70,272,413)
-	2,314,443	67,970,597	6,953,789	67,833,454
271,602	732,655	97,015	119,895	236,031
10,818,479	10,349,265	7,596,261	9,604,411	41,977,480
(8,904,089)	(10,549,265)	(7,796,261)	(9,804,411)	(42,177,480)
2,185,992	2,847,098	67,867,612	6,873,684	67,869,485
\$ 4,987,439	\$ 10,591,685	\$ 95,027,779	\$ 12,295,026	\$ (2,402,928)
5.16%	4.70%	4.04%	4.02%	4.56%

**District School Board of Pasco County  
Assessed and Estimated Actual Value of Taxable Property  
Last 10 Fiscal Years  
(Unaudited)**

Fiscal Year	(1) Assessed Value	(2) Estimated Value	Ratio of Assessed to Estimated Value
2006	\$ 19,949,523,770	\$ 30,531,483,846	65.3%
2005	16,264,735,180	24,711,159,323	65.8%
2004	13,994,510,386	21,252,196,140	65.8%
2003	12,300,905,965	18,854,519,963	65.2%
2002	10,961,555,171	16,894,830,990	64.9%
2001	9,858,648,974	15,029,928,550	65.6%
2000	9,101,425,355	13,889,216,373	65.5%
1999	8,368,669,272	12,629,065,272	66.3%
1998	7,964,076,699	12,112,585,446	65.8%
1997	7,606,876,334	11,564,856,673	65.8%

Source: (1) Assessed values used are net taxable values after deducting allowable statutory exemptions, includes Centrally Assessed and Personal Property.

(2) Pasco County Property Appraiser website - [www.appraiser.pascogov.com](http://www.appraiser.pascogov.com)



**District School Board of Pasco County**  
**Property Tax Levies and Collections**  
**Last 10 Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections (A)</b>	<b>Percent of Levy</b>	<b>Total Tax Collections</b>	<b>Percent of Levy</b>
2006	\$ 129,207,056	\$ 125,219,657	96.9%	\$ 126,500,859	97.9%
2005	123,249,653	117,152,441	96.0%	117,711,496	95.5%
2004	109,957,798	105,568,071	96.5%	106,045,757	96.4%
2003	98,928,035	95,447,537	96.0%	96,042,028	97.1%
2002	92,244,944	88,594,237	96.3%	89,011,332	96.5%
2001	88,281,693	85,046,937	95.1%	85,200,310	96.5%
2000	88,843,437	84,494,667	97.1%	85,022,095	95.7%
1999	79,741,303	77,404,010	96.5%	77,715,301	97.5%
1998	77,261,147	74,569,008	90.9%	74,859,476	96.9%
1997	80,095,283	72,803,089	90.0%	73,133,963	91.3%

Note: Property Taxes become due and payable on November 1st of each year. A four percent (4%) discount is allowed if the taxes are paid in November, with the discount declining by one percent (1%) each month thereafter. Accordingly, taxes collected will never be 100% of the tax levy. Taxes become delinquent on April 1st of each year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1st of each year.

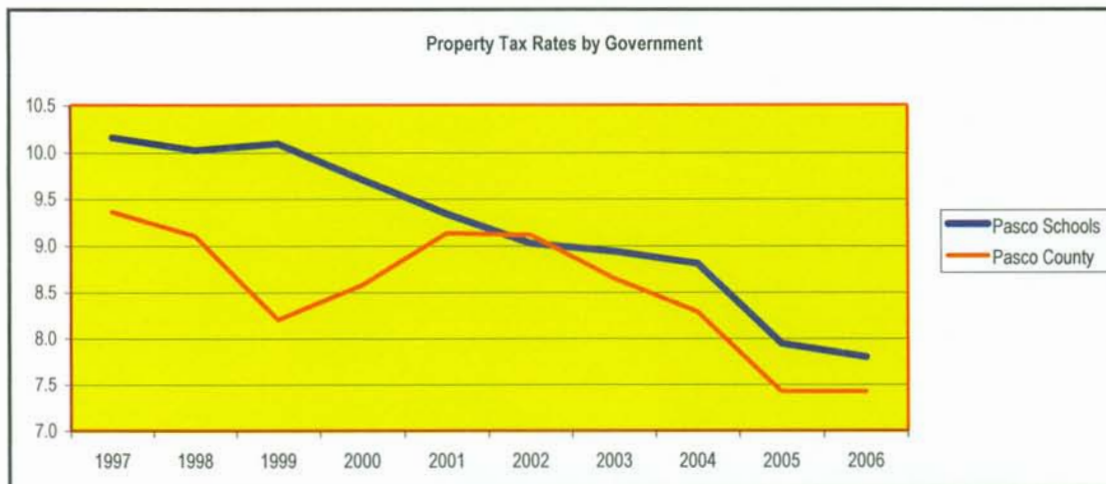
(A) Net of allowable discounts

Source: District records

**District School Board of Pasco County  
Direct and Overlapping Property Tax Rates  
Last 10 Fiscal Years  
(per \$1,000 assessed valuation)  
(Unaudited)**

Fiscal Year	Local Required Effort Millage	Discretionary Local Millage	Supplemental Discretionary Millage	Capital Improvement Millage	Debt Service Millage	Total Pasco Schools	Pasco County**
2006	5.253	0.510	0.250	1.500	0.285	7.798	7.423
2005	5.378	0.510	0.192	1.500	0.364	7.944	7.423
2004	5.658	0.510	0.214	2.000	0.425	8.807	8.282
2003	5.623	0.510	0.232	2.000	0.574	8.939	8.648
2002	5.631	0.510	0.241	2.000	0.643	9.025	9.114
2001	5.884	0.510	0.250	2.000	0.697	9.341	9.132
2000	6.134	0.510	0.250	2.000	0.815	9.709	8.570
1999	6.458	0.510	0.250	2.000	0.874	10.092	8.196
1998	6.345	0.510	0.250	2.000	0.916	10.021	9.100
1997	6.468	0.510	0.250	2.000	0.929	10.157	9.358

Source: Pasco County website - [www.pascocountyfl.net/menu/oindex.htm](http://www.pascocountyfl.net/menu/oindex.htm)

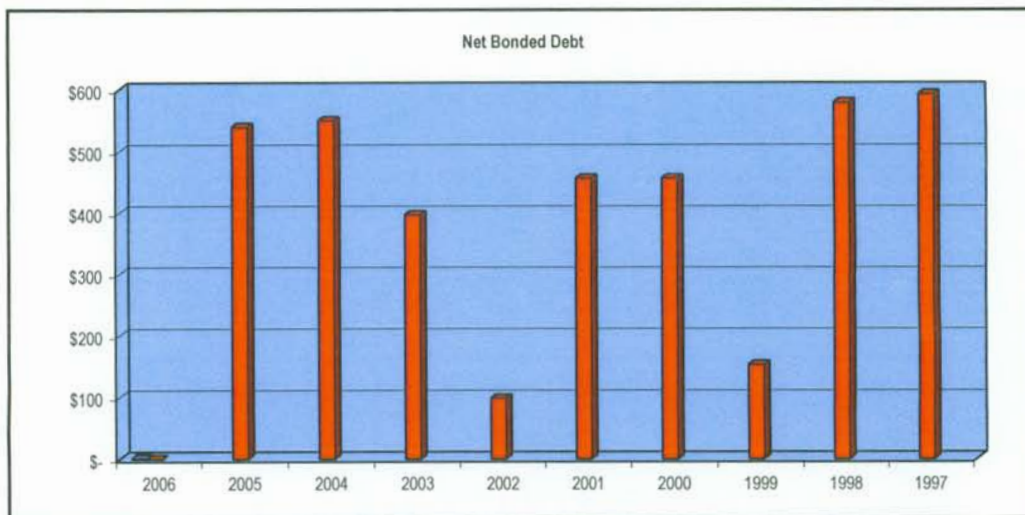


**District School Board of Pasco County  
Ratios of Outstanding Debt by Type  
Last 10 Fiscal Years  
(Unaudited)**

Governmental Activities									
Fiscal Year	State Board of Education Bonds	District Revenue Bonds	General Obligation Bonds	Certificates of Participation	Note Payable	Capital Leases	Total Primary Government	Estimated Population	Per Capita
2006	\$ 18,545,000	\$ 3,455,000	\$ 10,400,000	\$ 224,901,612	\$ -	\$ -	\$ 257,301,612	376,668	\$ 531
2005	19,755,035	3,470,188	15,250,000	161,661,000	-	-	200,136,223	370,601	542
2004	17,930,000	3,605,000	19,885,000	159,325,000	-	-	200,745,000	364,534	391
2003	16,950,000	3,660,000	24,320,000	97,470,000	-	-	142,400,000	358,467	415
2002	17,905,000	1,260,000	29,610,000	99,495,000	607,000	-	148,877,000	352,400	447
2001	18,800,000	1,350,000	34,620,000	101,430,000	1,213,000	-	157,413,000	344,765	480
2000	19,655,000	1,430,000	39,260,000	103,285,000	1,819,000	-	165,449,000	326,494	529
1999	19,555,000	1,560,000	43,995,000	105,065,000	2,425,000	104,145	172,704,145	315,785	573
1998	18,180,000	1,685,000	48,155,000	106,770,000	3,031,000	3,199,947	181,020,947	309,939	585
1997	16,500,000	1,810,000	52,110,000	106,770,000	3,986,027	-	181,176,027	305,576	-

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements

Source: District records



**District School Board of Pasco County  
Legal Debt Margin Information  
Last 10 Fiscal Years  
(Unaudited)**

	For the Fiscal Year Ending			
	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Assessed Valuation	\$ 7,606,689,696	\$ 7,957,419,741	\$ 8,363,185,159	\$ 9,092,768,760
Debt Limit	\$ 760,668,970	\$ 795,741,974	\$ 836,318,516	\$ 909,276,876
Less: Net Debt applicable to the limit	181,176,027	181,020,947	172,704,145	165,449,000
Legal debt margin	<u>\$ 579,492,943</u>	<u>\$ 614,721,027</u>	<u>\$ 663,614,371</u>	<u>\$ 743,827,876</u>
Total net debt applicable to the limit as a percentage of debt	23.82%	22.75%	20.65%	18.20%

## Note:

Debt Limit - 10% of net assessed value. Rule 6A-1.037(2) State Board of Education, Florida  
Rule 6A-1037(2) State Board of Education, Florida Administrative Code,  
establishes a limit of 10 percent of the nonexempt assessed valuation of the District.

District Records

For the Fiscal Year Ending					
<u>June 30, 2001</u>	<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
\$9,875,275,051	\$ 10,961,555,171	\$ 12,300,905,965	\$ 13,994,510,386	\$ 16,264,735,180	\$ 19,804,373,845
\$ 987,527,505	\$ 1,096,155,517	\$ 1,230,090,597	\$ 1,399,451,039	\$ 1,626,473,518	\$ 1,980,437,385
157,413,000	148,877,000	142,400,000	200,745,000	200,136,223	257,301,612
<u>\$ 830,114,505</u>	<u>\$ 947,278,517</u>	<u>\$ 1,087,690,597</u>	<u>\$ 1,198,706,039</u>	<u>\$ 1,426,337,295</u>	<u>\$ 1,723,135,773</u>
15.94%	13.58%	11.58%	14.34%	12.30%	12.99%

**District School Board of Pasco County  
Demographic and Economic Statistics  
Last 10 Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Estimated Population (1)</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capital Personal Income</b>	<b>Unemployment Rate (2)</b>	<b>Student Membership (3)</b>
2006	407,799	N/A	N/A	4.4%	62,085
2005	370,601	N/A	N/A	4.8%	59,722
2004	364,534	10,263,464	28,155	5.0%	56,822
2003	358,467	9,431,508	26,311	3.6%	54,595
2002	352,400	8,853,085	25,122	2.8%	51,674
2001	344,765	8,401,592	24,369	3.3%	47,526
2000	326,494	7,844,336	24,026	4.2%	45,283
1999	315,785	7,212,317	22,839	4.3%	44,509
1998	309,939	6,831,464	22,041	5.2%	43,126
1997	305,576	6,410,706	20,979	6.1%	41,839

N/A = Data not currently available

Source: (1) Bureau of Economic and Business Research  
(2) Florida Agency for Workforce Innovation, Office of Workforce Information Services, Labor Market Statistics  
(3) District records

**District School Board of Pasco County  
Principal Property Taxpayers  
Last Year and 9 Years Ago  
(Unaudited)**

<u>Taxpayer</u>	<u>2005</u>			<u>1997</u>		
	<u>Rank</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total Assessed Value</u>	<u>Rank</u>	<u>Taxable Assessed Valuation</u>	<u>Percentage of Total Assessed Value</u>
Florida Power Corporation	1	\$ 283,895,164	1.07%	1	\$ 228,736,737	2.19%
Verizon Communications, Inc.	2	240,800,903	0.90%	2	169,511,657	1.62%
Shady Hills Power Company LLC	3	148,621,820	0.56%		-	
Withlacoochee River Electric Cooperative	4	146,388,422	0.55%	3	87,414,704	0.83%
Bright House Networks	5	88,179,858	0.33%		-	
Zephyrhills Bottled Water	6	57,903,072	0.21%	9	17,361,877	0.16%
Wal-Mart Stores	7	59,166,065	0.22%		-	
HCA Health Services of Florida	8	60,142,483	0.22%	8	27,439,342	0.26%
Gulf View Associates	9	44,400,515	0.16%	7	31,669,116	0.30%
Lykes Pasco Packing Company		-		4	63,425,321	0.60%
Pasco Cogen Ltd.		-		5	53,266,826	0.51%
Saddlebrook Resorts		-		10	19,543,654	0.18%
New Port Richey Hospital, Inc.		-		6	30,777,167	0.29%
Walgreens Company	10	37,787,317	0.14%			
Total		<u>\$ 1,167,285,619</u>	<u>4.36%</u>		<u>\$ 729,146,401</u>	<u>6.94%</u>

Source: Pasco County Property Appraiser

**District School Board of Pasco County  
Number of Personnel  
Last 10 Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Instructional</b>	<b>Administrative</b>	<b>Other Support Personnel</b>	<b>Total</b>	<b>Ratio of Instructional and Administrative Personnel to Pupils</b>
2006	4,440	290	3,621	8,351	13.13
2005	4,078	266	3,389	7,733	13.75
2004	3,804	247	3,228	7,279	14.03
2003	3,591	253	3,119	6,963	14.20
2002	3,488	239	2,952	6,679	13.86
2001	3,341	238	2,966	6,545	13.28
2000	3,281	225	2,783	6,289	12.92
1999	3,165	218	2,635	6,018	13.16
1998	3,007	207	2,544	5,758	13.42
1997	2,896	206	2,484	5,586	13.49

Source: School Board records - Comprehensive Annual Financial Report

**District School Board of Pasco County  
 Teacher Base Salaries  
 Last 10 Fiscal Years  
 (Unaudited)**

<b>Fiscal Year</b>	<b>Minimum Salary (1)</b>	<b>Maximum Salary (1)</b>	<b>County Average Salary (1)</b>	<b>Statewide Average Salary (2)</b>
2006	\$ 36,012	\$ 63,281	\$ 41,600	\$ 42,702
2005	34,385	60,524	39,600	41,578
2004	33,917	57,692	38,800	40,598
2003	33,813	57,588	38,000	40,275
2002	28,700	50,800	37,080	39,275
2001	28,400	50,800	35,310	38,230
2000	26,700	49,000	33,000	36,722
1999	25,300	47,075	32,000	35,916
1998	23,000	45,600	30,800	34,473
1997	22,300	37,400	29,800	33,885

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Source: (1) School Board Records  
 (2) Florida Department of Education

**District School Board of Pasco County  
Principal Employers  
Last Year and 9 Years Ago  
(Unaudited)**

<u>Employer</u>	2005			1997		
	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
District School Board of Pasco County	1	8,071	4.74%	1	5,600	4.85%
Pasco County Government	2	2,439	1.43%	2	1,507	1.31%
State of Florida Government	3	1,292	0.76%	3	1,507	1.31%
Pasco County Sheriff	4	1,085	0.64%		-	
Regional Medical Center Bayonet Point	5	1,050	0.62%		-	
Community Hospital of New Port Richey	6	1,000	0.59%	7	1,200	1.04%
Saddlebrook Resort	7	830	0.49%		-	
East Pasco Medical Center	8	750	0.44%	8	1,106	0.96%
U.S. Postal Service	9	550	0.32%		-	
Lykes Pasco	10	1,769	1.04%	4	1,350	1.17%
Publix		-		5	1,313	1.14%
Wall Mart Retail		-		9	945	0.82%
Winn-Dixie		-		6	1,300	1.13%
Pall Aeropower		-		10	400	0.35%
Total		<u>18,836</u>	<u>11.07%</u>		<u>16,228</u>	<u>14.07%</u>

Source: Pasco County Growth Management Department-Pasco Profile

**District School Board of Pasco County  
Operating Statistics  
Last 10 Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Average Daily Membership</b>	<b>Operating Expenditures</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Instructional Staff</b>	<b>Pupil Teacher Ratio</b>	<b>Percentage of Students Receiving Free or Reduced-Price Meals</b>
2006	62,085	\$ 400,178,410	\$ 6,446	8.16%	4,440	13.98	44.18%
2005	59,722	355,917,943	5,960	3.79%	4,078	14.64	46.28%
2004	56,822	326,277,926	5,742	7.91%	3,804	14.94	46.08%
2003	54,595	290,523,060	5,321	2.11%	3,591	15.20	46.01%
2002	51,674	269,291,877	5,211	-3.60%	3,488	14.81	44.45%
2001	47,526	256,914,234	5,406	1.88%	3,341	14.23	44.13%
2000	45,283	240,276,412	5,306	0.49%	3,281	13.80	42.78%
1999	44,509	235,016,000	5,280	5.04%	3,165	14.06	44.63%
1998	43,126	216,796,098	5,027	4.49%	3,007	14.34	44.98%
1997	41,839	201,282,943	4,811	7.43%	2,896	14.45	45.11%

Source: District records

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# **SINGLE AUDIT REPORT**



**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Members of the School Board  
District School Board of Pasco County, Florida  
Land O' Lakes, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Pasco County, Florida (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2006. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors and was qualified with respect to aggregate discretely presented component units because one component unit, the Language Academy Charter School, Inc., was not audited. Except for not auditing the financial statements of the Language Academy Charter School, Inc., to which this report does not extend, 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

This report is intended solely for the information and use of the District School Board, the Audit Committee, applicable management, applicable federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekart & Holland, L.L.P.*

Orlando, Florida  
December 8, 2006



**Independent Auditors' Report on Compliance  
with Requirements Applicable to Each Major  
Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

The Honorable Members of the School Board  
District School Board of Pasco County, Florida  
Land O' Lakes, Florida

**Compliance**

We have audited the compliance of the District School Board of Pasco County (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## **Internal Control over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District School Board, the Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry, Bekaert & Holland, L.L.P.*

Orlando, Florida  
December 8, 2006

**District School Board of Pasco County  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor /Program Title	Catalog of Federal Domestic Assistance Number (6)	Pass-Through Grantor Number	Amount of Expenditures
<b>United States Department of Agriculture:</b>			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550 (3)	N/A	\$ 1,054,651
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	2,913,341
National School Lunch Program	10.555	300	<u>9,238,153</u>
Total Child Nutrition Cluster			<u>13,206,145</u>
Child and Adult Care Food Program	10.558	N/A	<u>35,267</u>
<b>Total United States Department of Agriculture</b>			<b><u>13,241,412</u></b>
<b>United States Department of Justice:</b>			
Indirect:			
Pasco County Sheriff's Department:			
Community Oriented Policing Services (COPS)	16.710	N/A	<u>58,697</u>
<b>Total United States Department of Justice</b>			<b><u>58,697</u></b>
<b>United States Department of Labor:</b>			
Indirect:			
Florida Department of Education:			
Migrant and Seasonal Farm Workers	17.264	405	<u>124,498</u>
<b>Total United States Department of Labor</b>			<b><u>124,498</u></b>
<b>United States Department of Education:</b>			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	14,566,449
Special Education - Preschool Grants	84.173	267	<u>362,128</u>
Total Special Education Cluster			<u>14,928,577</u>
Florida Department of Education:			
Adult Education-State Grant Program	84.002	191, 192, 193	450,009
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	11,492,738
Migrant Education - State Grant Program	84.011	217	164,221
Title I Program for Neglected and Delinquent Children	84.013	223	202,176
Vocational Education - Basic Grants to States	84.048	151	603,705
Education for Homeless Children and Youth	84.196	127	62,484
Even Start – State Educational Agencies	84.213	219	33,330
State Grants for Innovative Programs	84.298	113	322,626
Education Technology State Grants	84.318	121	279,249
Advanced Placement Program	84.330	160	756
Comprehensive School Reform Demonstration	84.332A	128, 129	270,952
English Language Acquisition Grants	84.365	102	400,012
Improving Teacher Quality State Grants	84.367	224	1,797,461

Federal Grantor/Pass-Through Grantor /Program Title	Catalog of Federal Domestic Assistance Number (6)	Pass-Through Grantor Number	Amount of Expenditures
<b>United States Department of Education: (continued)</b>			
Safe and Drug-Free Schools and Communities – National Programs	84.184	107	47,978
Safe and Drug-Free Schools and Communities – State Grants	84.186	103	243,397
Pasco-Hernando Community College: Tech-Prep Education	84.243	N/A	105,755
University of South Florida Education Development, Research and Dissemination	84.305	N/A	<u>222,130</u>
<b>Total United States Department of Education</b>			<b><u>31,627,556</u></b>
<b>United States Department of Health and Human Services:</b>			
Direct: Head Start	93.600 (4)	N/A	<u>5,402,481</u>
<b>Total United States Department of Health and Human Services</b>			<b><u>5,402,481</u></b>
<b>Corporation for National and Community Service:</b>			
Direct: Retired and Senior Volunteer Program	94.002	N/A	123,832
Indirect: Florida Department of Education: Learn & Serve America – School and Community Based Programs	94.004	234	<u>11,990</u>
<b>Total Corporation for National and Community Service</b>			<b><u>135,822</u></b>
<b>Department of Homeland Security:</b>			
Direct State Domestic Preparedness Equipment Support Program	97.004	532	<u>21,249</u>
<b>Total Department of Homeland Security</b>			<b><u>21,249</u></b>
<b>United States Department of Defense:</b>			
Direct: Air Force Junior Reserve Officers Training Corps	None	N/A	157,033
Army Junior Reserve Officers Training Corps	None	N/A	318,774
Navy Junior Reserve Officers Training Corps	None	N/A	<u>577,151</u>
<b>Total United States Department of Defense</b>			<b><u>1,052,958</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 51,664,673</u></b>

**District School Board of Pasco County  
Notes to Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2006**

**1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards (the "Schedule") represents amounts expended from Federal programs during the 2005-2006 fiscal year as determined based on the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The amounts reported on the Schedule have been reconciled to and are in material agreement with the amounts recorded in the District's accounting records from which the basic financial statements have been prepared.

**2. Program Clusters**

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly. The School Breakfast Program and National School Lunch Program belong to the Child Nutritional Cluster and have been reported as such. The Special Education – Grants to States and Special Education – Preschool Grants belong to the Special Education Cluster and have been reported as such.

**3. Noncash Assistance**

Food Donation represents the amount of donated food used during the 2005-2006 fiscal year. Commodities are valued at fair value as determined at the time of donation.

**4. Head Start**

Expenditures included \$514,644 for grant number/program year 04CH3070/37 and \$4,887,837 for grant number/program year 04CH3070/38.

**5. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the District. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

**6. Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2006 Catalog of Federal Domestic Assistance.

**District School Board of Pasco County**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2006**

**Part I - Summary of Audit Results**

1. The auditors' report on the financial statements expresses unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. A qualified opinion was expressed on the aggregate discretely presented component units because one component unit was not audited.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. The programs tested as major programs were:

Name of Program	CFDA #
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Improving Teacher Quality State Grants	84.367

7. The threshold for distinguishing Types A and B programs was \$1,549,940.
8. The District was determined to be a low risk auditee.

**Part II – Financial Statement Findings Section**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

None reported.

**Part III – Federal Award Finding and Questioned Costs Section**

None reported.

**DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2006**

No findings in prior year.