ASSURANCE AND ADVISORY
BUSINESS SERVICES

DECEMBER 11, 2007

ERNST & YOUNG
Quality In Everything We Do

The School Board of Miami-Dade County, Florida

Financial Statement Audit Results and Communications

Report to the Audit Committee

Ernst & Young LLP
Suite 3000
201 South Biscayne Boulevard
Miami, Florida 33131-4330

Phone: (305) 358-4111
www.ey.com

December 11, 2007

The Audit Committee
The School Board of Miami-Dade County, Florida

Dear Members of the Audit Committee:

We are pleased to present the results of our audit of the basic financial statements of The School Board of Miami-Dade County, Florida (the School Board) for the year ended June 30, 2007.

This Report to the Audit Committee summarizes our audit, the scope of our engagement, and key observations and findings from our audit procedures to date. The document also contains the Audit Committee communications required by our professional standards and by *Government Auditing Standards*.

The audit is designed to express an opinion on the 2007 basic financial statements. In accordance with professional standards, we obtained a sufficient understanding of internal control to plan the audit and to determine the nature, timing, and extent of tests to be performed. However, we were not engaged to, and we did not, perform an audit of internal control over financial reporting.

At Ernst & Young, we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality. We encourage you to use our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool in enabling us to continually monitor and improve the quality of our audit services to the School Board.

This report is intended solely for the information and use of Audit Committee, Members of the School Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to meet with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters. If you have any questions or comments, please call Michael Pattillo at (305) 358-4111, ext. 26757 or Claudia Dixon at (954) 888-8003.

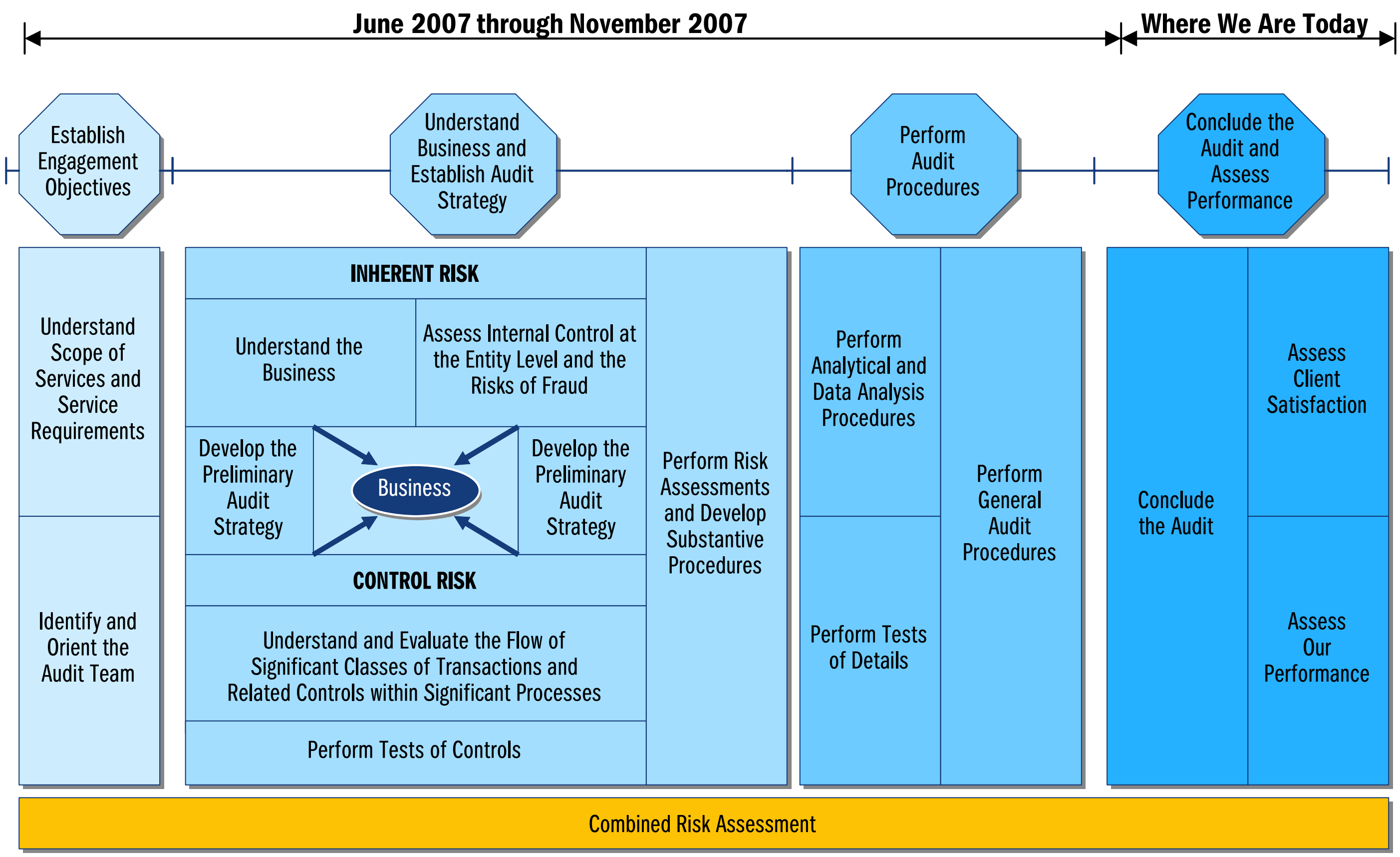
Very truly yours,

Michael E. Pattillo
Partner

Contents

2007 Financial Statement Audit Results and Communications

THE ERNST & YOUNG AUDIT APPROACH



SUMMARY OF WHAT WE AGREED TO DO

As discussed with the Audit Committee during our planning process, our audit plan represented an approach responsive to the assessment of risk for the School Board. Specifically, we designed our audit to:

- Express opinions on the School Board's basic financial statements and meet the requirements of Florida Statutes and Rules of the Auditor General of the State of Florida. The audit was conducted in accordance with auditing standards generally accepted in the United States and generally accepted governmental auditing standards as set forth in the U.S. General Accounting Office's (GAO's) *Government Auditing Standards* (January 2007 Revision) and Rules of the Auditor General, State of Florida for the form and conduct of audits of Florida school districts.

- Issue reports on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

- Report on other matters as required by Chapter 10.800, Rules of the Auditor General.

- Issue a management letter to management, the Audit Committee and the School Board that provides our recommendations regarding internal controls and opportunities for improvements or efficiency, based on observations made during the course of our audit; and

- Issue our 2007 Audit Results and Communications Report to the Audit Committee.

AREAS OF EMPHASIS

Areas of audit emphasis included:

- Significant accounts subject to estimation (e.g., self insurance liabilities and compensated absences)
- System documentation and testing of internal controls for routine data processes
- System documentation for non-routine and estimation process
- Review of accounting and financing of costs associated with capital projects
- Review of investment processes (i.e. acquisition, disposition, portfolio management)
- Revenue recognition policies (state, local, and federal sources) and allocation of costs among functional categories
- Debt compliance, including continuing disclosure under SEC rules
- Payroll processing and control activities
- Testing of the School Board's debt transactions and disclosures
- Review of Information Technology general controls in support of the financial audit
- Financial statement close process
- Consideration of net asset classifications
- Fraud procedures and considerations required by SAS No. 99
- Budgetary compliance and accountability
- Impact of new accounting pronouncements
- Compliance with applicable laws, regulations, and grant provisions

REQUIRED COMMUNICATIONS

Statement on Auditing Standards No. 61 (as amended) and other professional standards require the auditor to communicate certain matters to the Audit Committee that may assist the Committee in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications as they apply to the School Board.

Area	Comments
Auditors' Responsibilities Under Generally Accepted Auditing Standards (GAAS) The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audit and to determine the nature, timing, and extent of testing performed. However, we were not engaged to and we did not perform an audit of internal control over financial reporting.	We have issued an unqualified opinion on the School Board's basic financial statements for the year ended June 30, 2007.
Significant Accounting Policies Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.	The significant accounting policies of the School Board are described in Note 1 to the financial statements. The School Board modified its approach for determining its Self Insurance Liability not considered payable with expendable available financial resources balance, which is recorded in the general fund to comply with governmental accounting standards. This change resulted in a restatement of the General Fund's beginning fund balance, but had no effect on the total self insurance liability of the School Board, which is recorded at the government-wide level of the basic financial statements.
Our Judgments About the Quality of the School Board's Accounting Principles We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the School Board's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.	Accounting principles selected by management are consistent with those prescribed by accounting and School Board industry standards and the Florida Department of Education. In addition, management has consistently applied its accounting principles and the School Board's financial statements and related disclosures are clearly presented in a complete manner.
Sensitive Accounting Estimates The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments. We determine that the Audit Committee is informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.	Management's judgment is called upon to allocate expenses to the School Board's various functions, establish the useful lives of capital assets, determine compensated absences liability estimates, and record the self insurance liability (including IBNR reserves).

Area	Comments
Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas We determine that the Audit Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.	We are not aware of any significant unusual transactions recorded by the School Board or of any significant accounting policies used by the School Board related to controversial or emerging areas for which there is a lack of authoritative guidance.
Significant Audit Adjustments We provide the Audit Committee with information about adjustments arising from the audit (whether recorded or not) that could, in our judgment, either individually or in the aggregate, have a significant effect on the School Board's basic financial statements.	Audit differences were noted and adjustments were recorded by the School Board in the following areas: capital asset classification; reporting of net asset components and fund balance reserves; expense recognition, and other necessary modifications in financial statement presentation and disclosure.
Unrecorded Audit Differences Considered by Management to Be Immaterial We inform the Audit Committee about unrecorded audit differences accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.	Refer to "Summary of Audit Differences" section.
Fraud and Illegal Acts We report to the Audit Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.	We are not aware of any material fraud or illegal acts. Refer to "Fraud Considerations" section for more information about our procedures related to the risk of material misstatement due to fraud. We inquired of Management and the Audit Committee as to their knowledge of any material fraud or illegal acts.
Significant Deficiencies and Material Weaknesses in Internal Control We communicate all significant deficiencies and material weaknesses that were identified during the course of our audit.	No significant deficiencies or material weaknesses were identified. Other matters have been reported in our management letter.
Other Information in Documents Containing Audited Financial Statements Our financial statement audit opinion only relates to the basic financial statements and accompanying notes. However, we also review other information in the CAFR, such as Management's Discussion and Analysis, for consistency with the audited financial statements.	We have reviewed the Required Supplementary information, Management's Discussion and Analysis, and other information contained the CAFR for consistency with the audited financial statements.
Disagreements With Management	None.
Serious Difficulties Encountered in Dealing With Management When Performing the Audit	None.

Area	Comments
Major Issues Discussed with Management in Connection With Initial or Recurring Retention	None.
Consultation With Other Accountants	None of which we are aware.
Independence We communicate, at least annually, the following to the Audit Committee or of the School Board: • Disclose, in writing, all relationships between Ernst & Young and our related entities and the School Board and its related entities that, in our professional judgment, may reasonably be thought to bear on independence. • Confirm in writing that, in our professional judgment, we are independent of the School Board within the meaning of Government Auditing Standards. • Discuss with the Audit Committee any matters that in our professional judgment may reasonably be thought to bear on our independence.	1. We are not aware of any relationships between Ernst & Young and the School Board that, in our professional judgment, may reasonably be thought to bear on our independence. 2. Relating to our audit of the basic financial statements of the School Board as of June 30, 2007, and for the year then ended, we are independent certified public accountants with respect to the School Board within the meaning of the applicable published pronouncements of the Independence Standards Board; Rule 101 of the American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct, its interpretations and rulings; and Government Auditing Standards. Our policies relating to financial interests (e.g., loans and other credit) generally are stricter than the requirements imposed by these regulatory and professional bodies. 3. We were engaged by the School Board to perform an Internet, Intranet, and Application Review. Those services were advisory in nature and were performed in accordance with applicable AICPA and Government Auditing Standards. 4. There is no matter that, in our professional judgment, may reasonably be thought to bear on our independence.
Additional Government Auditing Standards Required Communications We were engaged to conduct an audit of the School Board's basic financial statements for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States and Government Auditing Standards issued by the Comptroller General of the United States. We are required to contrast our responsibilities in this engagement under these standards with other procedures that could be performed in other financial-related audits.	Our responsibilities for testing and reporting on internal control and on compliance with applicable laws and regulations under Government Auditing Standards were included in our 2007 Audit Plan previously presented to the Audit Committee. We are currently going through a peer review. Our latest peer review report was provided to you as part of our 2006 Audit Plan document. There are no updates to this information at this time.

SUMMARY OF AUDIT DIFFERENCES

During the course of our audit, we accumulate differences between amounts recorded by the School Board and amounts that we believe are required to be recorded under generally accepted accounting principles. Attached is a summary of those differences we have identified through the date of this report.

Summary of Audit Differences

Client: Dade School Board - Government-Wide FS **Audit date:** 30-Jun-2007 **Currency:** US

All identified audit differences above nominal amount			Analysis of audit differences Debit/(Credit)								
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:				Other - Specify
No.	W/P ref.	(Audit differences are recorded as journal entries and description of the entry.)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Prior period Debit/(Credit)	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Errors:											
1	N4.1	Est. Liab on arbitrage rebate			1,312,579						
		Interest Income					(1,312,579)				
		To properly record liability on arbitrage rebate as of year-end.									
2	Q8	Accrued Interest Payable			3,736,738						
		Interest Expense					(3,736,738)				
		To correct duplicate entry in the Government-Wide FS.									
3	U8	Expenses - Other					13,940,000				
		Grants and Contributions Not Restricted to Specific Programs					(13,940,000)				
		To expense MAP amounts due to FDOE not disbursed as of September 1, 2007 in accordance with GASB 33 par 99.									
4	E2.1	Revenues					1,200,000				
		Due from Other Agencies	(1,200,000)								
		To adjust revenues for Erate funding requests pending SLD approval in accordance with GASB 33 par 59.									
5	N2 2/	Expense									
		Construction In Progress		3,359,037			1,901,871				
		Accounts Payable			(5,260,908)						
		To record additional liabilities for costs incurred as of June 30, 2007 but not accrued.									
Judgmental Differences:											
		Balance sheet totals	(1,200,000)	3,359,037	(211,591)	0					0
		Financial statement amounts	1,642,475,000	3,933,108,000	750,182,000	3,048,122,000					1,792,308
		Effect of unrecorded audit differences on F/S amounts	**-0.07%**	**0.09%**	**-0.03%**	**0.00%**					**0.00%**
		Income effect of unrecorded audit differences (before tax)					(1,947,446)		0		
		Memo: Non-taxable items (marked 'X' above)					*0*		*0*		
		Less: Tax effect at current year marginal rate					0		0		
		Cumulative effect of unrecorded audit differences before turn-around effect				-3.11%	(1,947,446)		0		
		Turn-around effect of prior-period unrecorded audit differences (after tax)			**All errors:**	0					
					Judgmental differences:		0				
		Cumulative effect of unrecorded audit differences, after turn-around effect				-3.11%	(1,947,446)				
		Current year net income					62,712,000				

0711-0890974

Summary of Audit Differences

Client: Dade School Board - General Fund **Audit date:** 30-Jun-2007 **Currency:** US

Note: The General Fund's FS is not Classified. Therefore the Non-Current Classification is not used herein.

All identified audit differences above nominal amount			Analysis of audit differences Debit/(Credit)								
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:				Other - Specify
No.	W/P ref.	(Audit differences are recorded as journal entries and description of the entry.)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Prior period Debit/(Credit)	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Errors:											
1		Revenues							4,610,746		
		(To record turnaround effect from prior-year entry)									
2	E0.2	Revenue					4,382,497				
		Taxes Receivable	(4,382,497)								
		To properly record taxes receibable (through period of collectibility - 60 days) as of year end.									
3	E2.1	Local Revenues - Other					1,200,000				
		Due from Other Agencies	(1,200,000)								
		To adjust revenues for Erate funding requests pending SLD approval in accordance with GASB 33 par 59.									
4	U8	Expenditures - Other					13,940,000				
		Grants and Contributions Not Restricted to Specific Programs					(13,940,000)				
		To expense MAP amounts due to FDOE not disbursed as of September 1, 2007 in accordance with GASB 33 par 99.									
5	N2 2/	Expenditures					1,584,054				
		Accounts Payable			(1,584,054)						
		To record additional liabilities for costs incurred as of June 30, 2007 but not accrued.									
Judgmental Differences:											
		Balance sheet totals	(5,582,497)	0	(1,584,054)	0					0
		Financial statement amounts	381,914,000		244,533,000						
Effect of unrecorded audit differences on F/S amounts			**-1.46%**	**0.00%**	**-0.65%**	**0.00%**					**0.00%**
Income effect of unrecorded audit differences (before tax)							7,166,551		4,610,746		
Memo: Non-taxable items (marked 'X' above)							*0*		*0*		
Less: Tax effect at current year marginal rate							0		0		
Cumulative effect of unrecorded audit differences before turn-around effect						-7.91%	7,166,551		4,610,746		
Turn-around effect of prior-period unrecorded audit differences (after tax)					**All errors:**	(4,610,746)					
					Judgmental differences:		(4,610,746)				
Cumulative effect of unrecorded audit differences, after turn-around effect						-2.82%	2,555,805				
Current year net income/(Loss)							(90,575,000)				

0711-0890974

Summary of Audit Differences

Client: Dade School Board - LOML **Audit date:** 30-Jun-2007 **Currency:** US

Note: The LOML's FS is not Classified. Therefore the Non-Current Classification is not used herein.

All identified audit differences above nominal amount			Analysis of audit differences Debit/(Credit)								
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:				Other - Specify
No.	W/P ref.	(Audit differences are recorded as journal entries and description of the entry.)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Prior period Debit/(Credit)	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Errors:											
1		Revenues									
		(To record turnaround effect from prior-year entry)							1,728,903		
2	E0.2	Revenue					1,233,806				
		Taxes Recievable	(1,233,806)								
		To properly record taxes receibable (through period of collectibility - 60 days) as of year end.									
Judgmental Differences:											
	Balance sheet totals		(1,233,806)	0	0	0					0
	Financial statement amounts		270,001,000		78,243,000						
Effect of unrecorded audit differences on F/S amounts			**-0.46%**	**0.00%**	**0.00%**	**0.00%**					**0.00%**
Income effect of unrecorded audit differences (before tax)							1,233,806		1,728,903		
Memo: Non-taxable items (marked 'X' above)							*0*		*0*		
Less: Tax effect at current year marginal rate							0		0		
Cumulative effect of unrecorded audit differences before turn-around effect						-2.56%	1,233,806		1,728,903		
Turn-around effect of prior-period unrecorded audit differences (after tax)					**All errors:**	(1,728,903)					
					Judgmental differences:		(1,728,903)				
Cumulative effect of unrecorded audit differences, after turn-around effect						1.03%	(495,097)				
Current year net income (Loss)							(48,160,000)				

0711-0890974

Summary of Audit Differences

Client: Dade School Board - COPS Fund **Audit date:** 30-Jun-2007 **Currency:** US

Note: The COP's FS is not Classified. Therefore the Non-Current Classification is not used herein.

All identified audit differences above nominal amount			Analysis of audit differences Debit/(Credit)								
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:				Other - Specify
No.	W/P ref.	(Audit differences are recorded as journal entries and description of the entry.)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Prior period Debit/(Credit)	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Errors:											
1	N2 2/	Expenditures					879,137				
		Accounts Payable			(879,137)						
		To record additional liabilities for costs incurred as of June 30, 2007 but not accrued.									
Judgmental Differences:											
		Balance sheet totals	0	0	(879,137)	0					0
		Financial statement amounts	633,982,000		112,199,000						521,783,000
Effect of unrecorded audit differences on F/S amounts			**0.00%**	**0.00%**	**-0.78%**	**0.00%**					**0.00%**
Income effect of unrecorded audit differences (before tax)							879,137		0		
Memo: Non-taxable items (marked 'X' above)							*0*		*0*		
Less: Tax effect at current year marginal rate							0		0		
Cumulative effect of unrecorded audit differences before turn-around effect						-6.55%	879,137		0		
Turn-around effect of prior-period unrecorded audit differences (after tax)					**All errors:**	0					
					Judgmental differences:		0				
Cumulative effect of unrecorded audit differences, after turn-around effect						-6.55%	879,137				
Current year net income (Loss)							(13,427,000)				

0711-0890974

Summary of Audit Differences

Client: Dade School Board - Section 1011 **Audit date:** 30-Jun-2007 **Currency:** US

Note: The COP's FS is not Classified. Therefore the Non-Current Classification is not used herein.

All identified audit differences above nominal amount			Analysis of audit differences Debit/(Credit)								
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:				Other - Specify
No.	W/P ref.	(Audit differences are recorded as journal entries and description of the entry.)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Prior period Debit/(Credit)	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Errors:											
1	N2 2/	Expenditures					1,203,784				
		Accounts Payable			(1,203,784)						
		To record additional liabilities for costs incurred as of June 30, 2007 but not accrued.									
Judgmental Differences:											
	Balance sheet totals		0	0	(1,203,784)	0					0
	Financial statement amounts		13,346,000		72,247,000						
Effect of unrecorded audit differences on F/S amounts			**0.00%**	**0.00%**	**-1.67%**	**0.00%**					**0.00%**
Income effect of unrecorded audit differences (before tax)							1,203,784		0		
Memo: Non-taxable items (marked 'X' above)							*0*		*0*		
Less: Tax effect at current year marginal rate							0		0		
Cumulative effect of unrecorded audit differences before turn-around effect						-4.38%	1,203,784		0		
Turn-around effect of prior-period unrecorded audit differences (after tax)					**All errors:**	0					
					Judgmental differences:		0				
Cumulative effect of unrecorded audit differences, after turn-around effect						-4.38%	1,203,784				
Current year net income (Loss)							(27,465,000)				

0711-0890974

Summary of Audit Differences

Client: Dade School Board - Non-Major Funds **Audit date:** 30-Jun-2007 **Currency:** US

Note: The Non-Major Fund's FS is not Classified. Therefore the Non-Current Classification is not used herein.

All identified audit differences above nominal amount			Analysis of audit differences Debit/(Credit)								
		Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:				Other - Specify
No.	W/P ref.	(Audit differences are recorded as journal entries and description of the entry.)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debit/(Credit)	Non Taxable	Prior period Debit/(Credit)	Non Taxable	Debit/(Credit)
Unrecorded Audit Differences:											
Errors:											
1		Revenues							424,446		
		(To record turnaround effect from prior-year entry for Property Tax Receivables)									
2	E0.2	Revenues									
		Taxes Recivable	(255,398)				255,398				
		To properly record taxes receibable (through period of collectibility - 60 days) as of year end.									
3	N4.1	Est. Liab on arbitrage rebate			1,312,579						
		Interest Income					(1,312,579)				
		To properly record liability on arbitrage rebate as of year-end.									
4	N2 2/	Expenditures					1,548,934				
		Accounts Payable			(1,548,934)						
		To record additional liabilities for costs incurred as of June 30, 2007 but not accrued.									
Judgmental Differences:											
	Balance sheet totals		(255,398)	0	(236,355)	0					0
	Financial statement amounts		437,402,000		125,888,000						
Effect of unrecorded audit differences on F/S amounts			**-0.06%**	**0.00%**	**-0.19%**	**0.00%**					**0.00%**
Income effect of unrecorded audit differences (before tax)							491,753		424,446		
Memo: Non-taxable items (marked 'X' above)							*0*		*0*		
Less: Tax effect at current year marginal rate							0		0		
Cumulative effect of unrecorded audit differences before turn-around effect						3.49%	491,753		424,446		
Turn-around effect of prior-period unrecorded audit differences (after tax)					**All errors:**	(424,446)					
					Judgmental differences:		(424,446)				
Cumulative effect of unrecorded audit differences, after turn-around effect						0.48%	67,307				
Current year net income							14,100,000				

0711-0890974

FRAUD CONSIDERATIONS

SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, was issued to heighten the awareness of auditors to the potential for fraud when planning and executing audits. SAS 99 also emphasizes the need for increased professional skepticism throughout the audit engagement. Under SAS 99, we are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud. We approach all audits with an understanding that fraud could occur in any company at any time, and could be perpetrated by anyone. The following provides a summary of the principal procedures required under SAS 99 and the results of our procedures.

ENGAGEMENT TEAM DISCUSSION

SAS 99 requires, as part of planning the audit, that there be a discussion among the audit team members, which includes all significant locations. The discussion should allow key members of the team to share thoughts and ideas about how and where they believe the client's financial statements might be susceptible to material misstatement due to fraud. A key element of this discussion, which is led by the partner in charge of the audit, is to emphasize the importance of maintaining the proper mindset throughout the audit regarding the potential for fraud.

GATHERING INFORMATION NEEDED TO IDENTIFY RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

SAS 99 requires auditors to perform certain procedures to obtain information that is used to identify risks of material misstatement due to fraud. These procedures include:

- Inquiring of management and others within the organization about the risks of fraud. Inquiries are required to be made of management, the Audit Committee, internal audit, and other operational and financial personnel within the organization, focusing on such areas as the individual's knowledge of actual or suspected fraud and understanding about specific risks of fraud in the organization. Further, inquiries are made regarding the oversight activities of the Audit Committee regarding management's assessment of the risks of fraud, whether programs and controls have been established at the organization to mitigate the risk of fraud, how multiple locations within an organization are monitored for fraud, and how management communicates to employees its views on business practices and ethical behavior.
- Inquiring about matters raised from the Audit Committee procedures for complaints (including "whistle-blowers") regarding accounting, internal accounting controls, or auditing matters.
- Considering unusual or unexpected relationships that have been identified in performing analytical procedures in planning the audit.
- Considering whether fraud risk factors exist.
- Considering other information gathered throughout the audit.

IDENTIFYING, ASSESSING AND RESPONDING TO FRAUD RISKS

As a result of the information gathered from the procedures above, we identify and assess specific fraud risks. The auditor's response to the assessment of the risks of material misstatement of the financial statements due to fraud is influenced by the nature and significance of the risks identified and the organization's programs and controls that address these identified risks. For each identified fraud risk, our audit response generally would include a combination of tests of controls and substantive tests responsive to the identified risks. Additionally, our response to fraud risks might include a change in the timing or nature of audit procedures, or we might decide that the extent of testing needs to be expanded in certain areas (e.g., expanded testing on revenue cutoff at year-end when risks relating to revenue recognition have been identified).

MANDATORY PROCEDURES TO ADDRESS THE RISK OF MANAGEMENT OVERRIDE

Fraudulent financial reporting often involves management override of controls that otherwise appear to be operating effectively. SAS 99 includes certain mandatory procedures to address the risk of management override of controls, such as testing journal entries and other adjustments, evaluating the business rationale of significant unusual transactions and reviewing accounting estimates and evaluating for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates.

TESTING JOURNAL ENTRIES AND OTHER ADJUSTMENTS

SAS 99 requires us to test journal entries and other adjustments and the PCAOB has focused on this area, among others, in its inspection process. SAS 99 acknowledges that management is in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding established controls that otherwise appear to be operating effectively. Fraudulent financial reporting often involves the manipulation of the financial reporting process by recording inappropriate or unauthorized journal entries or making inappropriate adjustments to amounts reported in the financial statements that are not reflected in formal journal entries (such as in consolidating adjustments, report combinations, or reclassifications).

Our testing of journal entries and other adjustments is an important audit procedure that requires careful planning and execution. Our testing includes both journal entries recorded in the general ledger and other adjustments posted outside of the general ledger. Although our tests generally include all types of journal entries (e.g., standard, nonstandard, system, manual), our emphasis is on identifying and testing entries processed outside of the normal course of business.

Our approach to testing journal entries and other adjustments in accordance with SAS 99 generally includes the following:

- Obtaining an understanding of the financial statement close process and controls over journal entries and other adjustments.
- Identifying and selecting journal entries and other adjustments for testing.
- Inquiring of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

EVALUATING AUDIT EVIDENCE

We assess the risk of material misstatement due to fraud throughout the audit. We are mindful of conditions that may be identified during fieldwork that change or support a judgment regarding the assessment of fraud risks, such as discrepancies in the accounting records, conflicting or missing evidential matter, and/or problematic or unusual relationships between the auditor (including internal audit) and management. No such matters were noted during our audit.

Looking Ahead to Next Year

ACCOUNTING AND AUDITING DEVELOPMENTS

The GASB projects and pronouncements that will likely affect the School Board in the near-term, are summarized below.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The approach followed in this Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB. Statement No. 43, addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports. Statement 45 is effective for periods beginning after December 15, 2006 (if annual revenues are greater than $100 million); after December 15, 2007 (if annual revenues are at least $10 million but less than $100 million); and after December 15, 2008 (if annual revenues are less than $10 million). Earlier application is encouraged. All component units should implement the requirement of this Statement no later than the same year as their primary government for the School Board; implementation will be necessary in the 2008 fiscal year.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

On September 29, 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements.

This Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components.

Guidance for reporting the effects of such transactions in governmental financial statements have been provided in several standards or, in certain cases, has not been authoritatively addressed. This has resulted in considerable diversity in practice in the manner that such transactions have been reported.

In addition to clarifying guidance on accounting for sales and pledges of receivables and future revenues, the Statement:

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold.
- Provides guidance on sales of receivables and future revenues within the same financial reporting entity.
- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

"Statement 48 is intended to clarify accounting by establishing clear criteria for determining whether proceeds received from a given transaction should be reported as revenue or a liability," said Robert H. Attmore, Chairman of the Governmental Accounting Standards Board. "Moreover, the standard's enhanced disclosure requirements will improve the usefulness of financial reporting by enabling the public to become better informed about the status of future revenues that may have been pledged or sold."

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006. For the School Board, implementation will be necessary in the 2008 fiscal year.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*

This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007. For the School Board, implementation will be necessary in the 2009 fiscal year.

GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*

The GASB recently issued Statement No. 50, *Pension Disclosures*, which more closely aligns current pension disclosure requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employment benefits.

Specifically, Statement 50 amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local Governmental Employers,* by requiring:

- Disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan—in other words, the degree to which the actuarial accrued liabilities for benefits are covered by assets that have been set aside to pay the benefits—as of the most recent actuarial valuation date.

– Governments that use the aggregate actuarial cost method to disclose the funded status and present a multi-year schedule of funding progress using the entry age actuarial cost method as a surrogate; these governments previously were not required to provide this information.

– Disclosure by governments participating in multi-employer cost-sharing pension plans of how the contractually required contribution rate is determined.

The provisions of Statement 50 generally are effective for periods beginning after June 15, 2007, with early implementation encouraged. The requirements relating to governments using the aggregate actuarial cost method are effective for financial statements and required supplementary information that contains information from actuarial valuations as of June 15, 2007, or later. For the School Board, implementation will be necessary in the 2008 fiscal year.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*

This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The provisions of Statement 51 are effective for periods beginning after June 15, 2009. For the School Board, implementation will be necessary in the 2010 fiscal year.

Appendices

APPENDIX A—TABLE OF REQUIRED COMMUNICATIONS WITH AUDIT COMMITTEES

For reference purposes, communication requirements with Audit Committees are summarized below.

	Communicate When Event Occurs	Communicate on a Timely Basis, at Least Annually	Communicate Periodically
Communications Required on All Audits			
Our Responsibility Under GAAS, Including Other Information in Documents Containing Audited Financial Statements			SAS 61
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	SAS 61		
Significant Audit Adjustments		SAS 61	
Unrecorded Audit Differences Considered by Management to Be Immaterial		SAS 61	
Our Judgments About the Quality of the School Board's Accounting Principles		SAS 61	
Disagreements with Management	SAS 61		
Consultations with Other Accountants	SAS 61		
Serious Difficulties Encountered in Dealing with Management When Performing the Audit	SAS 61		
The Adoption of, or a Change in, an Accounting Principle	SAS 61		
Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas	SAS 61		
Sensitive Accounting Estimates		SAS 61	
Fraud and Illegal Acts Involving Senior Management and Fraud and Illegal Acts that Cause a Material Misstatement of the Financial Statements	SASs 99 and 54		
Significant Deficiencies and Material Weaknesses in Internal Control		SAS 112	

APPENDIX B—REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Ernst & Young LLP
Suite 3000
201 South Biscayne Boulevard
Miami, Florida 33131-4330

Phone: (305) 358-4111
www.ey.com

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

The Chairperson and Members of
The School Board of Miami-Dade County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The School Board of Miami-Dade County, Florida (the School Board) as of and for the year ended June 30, 2007, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated November 13, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board'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*.

We noted certain matters that we have reported to management of the School Board in a separate letter dated November 13, 2007.

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

Ernst & Young LLP

November 13, 2007

ERNST & YOUNG LLP

www.ey.com

0711-0890974