



**AUDITOR GENERAL**  
**WILLIAM O. MONROE, CPA**



**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**

A Financial, Operational, and Federal Single Audit Report

For the Fiscal Year Ended June 30, 2003

Charlotte County District School Board members and the Superintendent of Schools who served during the 2002-03 fiscal year are shown in the following tabulation:

	<i><u>District No.</u></i>
<i>Lee Swift</i>	<i>1</i>
<i>Connie Kantor</i>	<i>2</i>
<i>Andrea Messina, Vice-Chairman to 11-18-02, Chairman from 11-19-02</i>	<i>3</i>
<i>Sue Sifrit, Chairman to 11-18-02</i>	<i>4</i>
<i>Barbara Y. Rendell, Vice-Chairman from 11-19-02</i>	<i>5</i>

*Dr. David Gayler, Superintendent*

#### AUDITOR GENERAL

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

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## EXECUTIVE SUMMARY

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### Summary of Audit Findings

#### Finding 1: Control Environment – Procedures Manual

The District has not completed a comprehensive procedures manual which is necessary to ensure appropriate training of new staff, as well as to provide an aid in bridging the transition in the event of the loss of key business services and finance-related personnel.

#### Finding 2: Florida School Recognition Program Expenditures

The District used \$432 of Florida School Recognition (FRS) Program moneys for snacks provided to students for remedial rewards and in conjunction with the Comprehensive Assessment Test. The District should seek clarification from the Florida Department of Education regarding the appropriateness of using FRS moneys for these items.

#### Finding 3: Information Technology – Security Controls

Weaknesses existed in certain security control features in the district's information technology system. Security control features protect the integrity, confidentiality, and availability of information systems and data resources.

### Summary of Report on Financial Statements

The Charlotte County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2003, in accordance with prescribed financial reporting standards.

### Summary of Report on Compliance and Internal Control

The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grants. The District has established and implemented procedures that generally provide for internal control of District operations. However, we did note compliance and internal control findings that are summarized in the Summary of Audit Findings.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Adult Education, Title I, and Improving Teacher Quality State Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

### Audit Scope and Objectives

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2003. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grants.

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control to provide reasonable assurance of proper authorization of financial transactions, to provide for the proper recording and reporting of the District's financial operations, to adequately safeguard the District's assets, and to promote and

encourage economic and efficient operations and compliance with various provisions of laws, administrative rules, regulations, contracts, and grants;

- Complied with the various provisions of laws, administrative rules, regulations, contracts, and grants governing the conduct of its public affairs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in audit report No. 03-154.

### Audit Methodology

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

This audit was conducted by Richard T. Lockhart, CPA, and supervised by Robert D. Jones, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at [davidmartin@aud.state.fl.us](mailto:davidmartin@aud.state.fl.us) or by telephone at (850) 487-9039.

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

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**FINDINGS AND RECOMMENDATIONS**

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**Finding No. 1: Control Environment – Procedures Manual**

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The District could enhance its internal control system with the development and maintenance of a comprehensive procedures manual pertaining to the District's financial operations and related activities. The District has established a business services function and assigned and separated various business activities to promote a system of internal control. Comprehensive procedures manuals are necessary to ensure appropriate training of new staff, as well as to provide an aid in bridging the transition in the event of a change in key business services and finance-related personnel, and may also serve to communicate management's commitment to, and support of, a strong system of internal control. A similar finding was noted in our previous audit reports, most recently in audit report No. 03-154.

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**Recommendation:** We again recommend that the District prepare and maintain a comprehensive procedures manual for financial operations and related activities.

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**District Response:**

*We concur that a comprehensive procedures manual would be an enhancement of our control system. We will continue our efforts to create a comprehensive procedures manual it is anticipated that a working draft will be available next years audit.*

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**Finding No. 2: Florida School Recognition Program Expenditures**

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Pursuant to Section 1008.36, Florida Statutes, the District received \$1,381,994 of State funding from the Florida School Recognition (FSR) Program for 14 schools. As specified in the Statute, schools must use their awards on nonrecurring faculty and staff bonuses; nonrecurring expenditures for educational equipment and materials to assist in maintaining and improving student performance; or temporary personnel to assist in maintaining and improving student performance.

Our tests of three schools (Charlotte High, Port Charlotte High, and Murdock Middle) disclosed that the District generally complied with the requirements governing the use of FSR Program funds. However, we noted that the District used \$436.28 for snacks provided to students for remedial rewards and in conjunction with the Florida Comprehensive Assessment Test at Murdock Middle School. Accordingly, it is not apparent, of record, how these expenditures comply with the restrictions set forth in Florida Statute.

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**Recommendation:** We recommend that the District seek clarification from the Florida Department of Education regarding the appropriateness of using Florida School Recognition (FSR) moneys for the above purposes. Absent authority for the use of the FSR Program moneys for these purposes, the District should restore \$436.28 to the District's FSR Program funds.

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**District Response:**

*We will be providing more stringent guidance to schools on the future expenditure of school recognition funds. Since we are all aware that this is a statewide issue we see no need to seek specific clarification, but await the issuance of guidelines by DOE regarding the expenditure of school recognition funds.*

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**Finding No. 3: Information Technology – Security Controls**

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Security control features are necessary to protect the integrity, confidentiality, and availability of information systems' data and resources. During our audit, we identified improvements that could be made in the District's security control procedures. Specific details of these improvements are not disclosed in this report to avoid any possibility of compromising District information systems' data and resources.

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**Recommendation:** The District should improve the appropriate control features to enhance the security controls over the District's information technology resources.

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**District Response:**

*We will be addressing the issues raised by your staff.*

**PRIOR AUDIT FINDINGS**

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in audit report No. 03–154.

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**FINANCIAL SECTION**

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***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS******MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

***EXHIBIT – A    Statement of Net Assets.***

***EXHIBIT – B    Statement of Activities.***

***EXHIBIT – C    Balance Sheet – Governmental Funds.***

***EXHIBIT – D    Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.***

***EXHIBIT – E    Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.***

***EXHIBIT – F    Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.***

***EXHIBIT – G    Statement of Net Assets – Proprietary Funds.***

***EXHIBIT – H    Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.***

***EXHIBIT – I    Statement of Cash Flows – Proprietary Funds.***

***EXHIBIT – J    Statement of Fiduciary Net Assets – Fiduciary Funds.***

***EXHIBIT – K    Notes to Financial Statements.***

***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

***EXHIBIT – L    Budgetary Comparison Schedule – General Fund.***





WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed on page 3. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 17 percent of the assets and 62 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been provided to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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

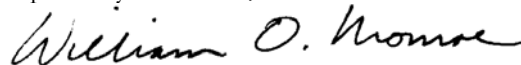
fund, and the aggregate remaining fund information of the Charlotte County District School Board as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Charlotte County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants included under the heading ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (pages 6 through 18) and the Budgetary Comparison Schedule (Exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

February 5, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 19 through 46.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2002-03 fiscal year are as follows:

- In total, net assets increased \$12,995,790.63, which represents a 10 percent increase from the 2001-02 fiscal year.
- General revenues totaled \$121,070,949.82, or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$17,580,471.37, or 13 percent.
- Expenses totaled \$125,655,630.56; only \$17,580,471.37 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$12,995,790.63.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$7,246,451.21 at June 30, 2003, or 7.6 percent of total General Fund expenditures.
- The District's total debt decreased by \$2,733,465.37, or approximately 11 percent, primarily as a result of scheduled debt payments.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### Government-Wide Financial Statements

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

about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in one category:

- **Governmental activities** – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

### **Fund Financial Statements**

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund and the Capital Projects - Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

**Proprietary Funds.** Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses internal service funds to account for the Employee Benefit Insurance program and the Special Projects Center. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

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

The District uses agency funds to account for resources held for the school internal funds.

#### **Notes to Financial Statements**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2003, compared to net assets as of June 30, 2002:

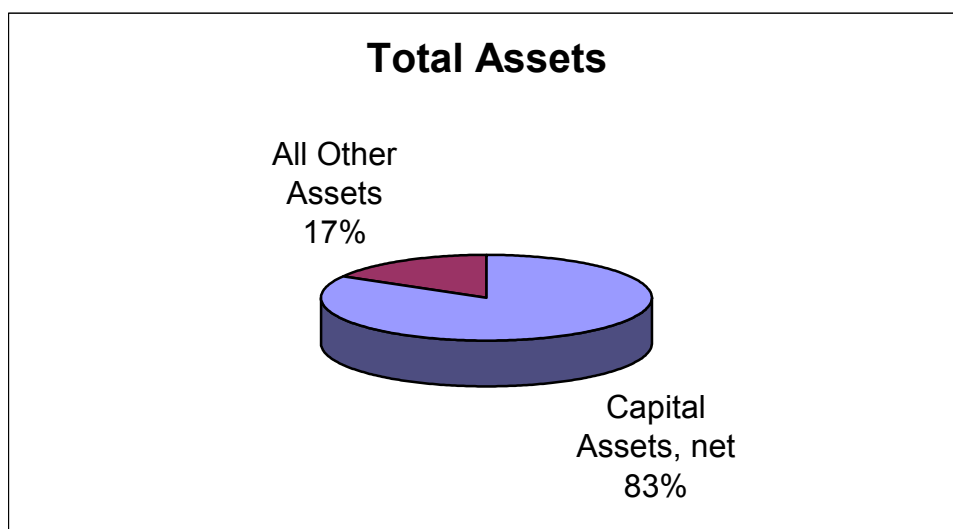
<b>Net Assets, End of Year</b>				
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-03	6-30-02		
Current and Other Assets	\$ 30,595,000.21	\$ 36,582,370.71	\$ (5,987,370.50)	-16%
Capital Assets	153,230,449.46	138,174,794.38	15,055,655.08	11%
<b>Total Assets</b>	<b>183,825,449.67</b>	<b>174,757,165.09</b>	<b>9,068,284.58</b>	<b>5%</b>
Current Liabilities	6,414,144.78	5,984,552.07	429,592.71	7%
Long-Term Liabilities	30,659,333.30	38,412,200.56	(7,752,867.26)	-20%
<b>Total Liabilities</b>	<b>37,073,478.08</b>	<b>44,396,752.63</b>	<b>(7,323,274.55)</b>	<b>-16%</b>
Net Assets:				
Invested in Capital Assets -				
Net of Debt	132,238,449.46	114,329,794.38	17,908,655.08	16%
Restricted	11,636,763.89	20,851,772.91	(9,215,009.02)	-44%
Unrestricted (Deficit)	2,876,758.24	(4,821,154.83)	7,697,913.07	160%
<b>Total Net Assets</b>	<b>\$ 146,751,971.59</b>	<b>\$ 130,360,412.46</b>	<b>16,391,559.13</b>	<b>13%</b>

The largest portion of the District's net assets (90 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

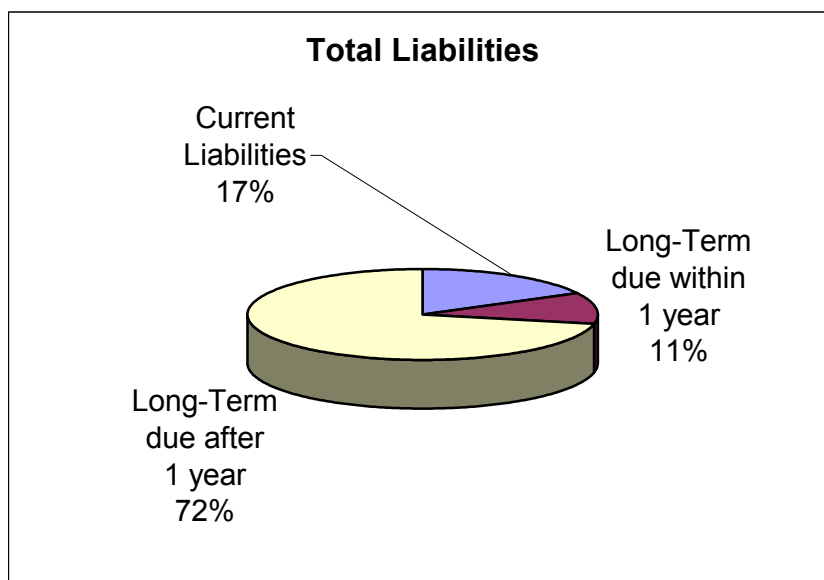
The restricted portion of the District's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The following graphs show, in an analytical manner, the District's net assets as a percentage of the total for each group, assets, liabilities, and net assets:

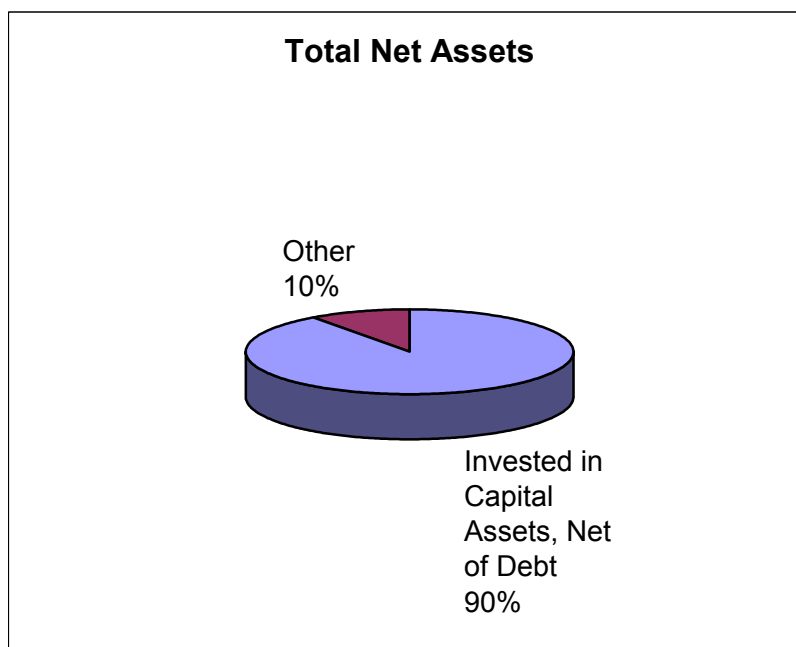
Total assets, distinguishing between capital and other assets:



Total liabilities, distinguishing between long-term and other liabilities:



Total net assets, distinguishing among amounts invested in capital assets, net of related debt, and other amounts, after combining the unrestricted balance of \$2,876,758.24 with the restricted net assets:



The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2003, and June 30, 2002, are as follows:

	Operating Results		Increase (Decrease)	Percentage Change
	Governmental Activities			
	6-30-03	6-30-02		
Program Revenues:				
Charges for Services	\$ 7,603,270.44	\$ 7,807,692.50	\$ (204,422.06)	-3%
Operating Grants and Contributions	7,003,089.25	13,650,831.80	(6,647,742.55)	-49%
Capital Grants and Contributions	2,974,111.68	7,611,386.54	(4,637,274.86)	-61%
General Revenues:				
Property Taxes Levied for Operational Purposes	57,388,135.10	51,853,160.77	5,534,974.33	11%
Property Taxes Levied for Debt Service	3,244,331.36	3,253,553.75	(9,222.39)	0%
Property Tax Levied for Capital Projects	18,261,156.43	16,306,732.73	1,954,423.70	12%
Grants and Contributions Not Restricted to Specific Programs	40,003,883.89	31,685,902.11	8,317,981.78	26%
Unrestricted Investment Earnings	772,086.17	1,268,345.40	(496,259.23)	-39%
Miscellaneous	2,974,729.14	1,086,371.87	1,888,357.27	174%
Special Item	(1,573,372.27)		(1,573,372.27)	100%
<b>Total Revenues</b>	<b>138,651,421.19</b>	<b>134,523,977.47</b>	<b>4,127,443.72</b>	<b>3%</b>
Functions/Program Expenses:				
Instruction	55,671,568.87	52,572,891.74	3,098,677.13	6%
Pupil Personnel Services	6,416,806.25	5,970,538.16	446,268.09	7%
Instructional Media Services	1,970,395.26	2,033,420.07	(63,024.81)	-3%
Instruction and Curriculum Development Services	4,313,310.25	4,172,924.98	140,385.27	3%
Instructional Staff Training	971,364.60	709,604.51	261,760.09	37%
Board of Education	447,692.88	505,087.41	(57,394.53)	-11%
General Administration	531,010.88	502,781.77	28,229.11	6%
School Administration	6,191,144.61	6,371,234.13	(180,089.52)	-3%
Facilities Acquisition and Construction	4,348,589.75	2,664,333.23	1,684,256.52	63%
Fiscal Services	729,496.48	703,723.81	25,772.67	4%
Food Services	5,651,736.95	5,097,039.02	554,697.93	11%
Central Services	14,394,597.40	13,671,436.89	723,160.51	5%
Pupil Transportation Services	4,326,689.88	4,018,027.40	308,662.48	8%
Operation of Plant	7,985,562.61	7,662,639.45	322,923.16	4%
Maintenance of Plant	2,989,494.84	2,961,505.16	27,989.68	1%
Community Services	99,029.70	80,903.44	18,126.26	22%
Interest on Long-Term Debt	1,218,356.66	1,579,819.62	(361,462.96)	-23%
Unallocated Depreciation Expenses	7,398,782.69	5,979,441.15	1,419,341.54	24%
<b>Total Functions/Program Expenses</b>	<b>125,655,630.56</b>	<b>117,257,351.94</b>	<b>8,398,278.62</b>	<b>7%</b>
<b>Increase in Net Assets</b>	<b>\$ 12,995,790.63</b>	<b>\$ 17,266,625.53</b>	<b>\$ (4,270,834.90)</b>	

Examples of program revenues are charges for services, operating grants and contributions, and capital grants and contributions. General revenues consist of taxes, grants and contributions not restricted to specific programs, investment earnings, and other miscellaneous revenue.

The program revenues are summarized below:



**Charges For Services**

Instructional Media Services	\$	158,377.20
Student Fees		546,958.14
Food Service Collections		2,944,833.59
Insurance and Special Projects		3,766,007.77
Transportation For School Activity		187,093.74

<b>Total Charges For Services</b>	<b>\$</b>	<b>7,603,270.44</b>
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**Operating Grants and Contributions**

Federal Revenue for Food Service	\$	3,531,430.25
State Revenue for Food Service		105,775.00
State Revenue for Transportation		3,365,884.00

<b>Total Operating Grants and Contributions</b>	<b>\$</b>	<b>7,003,089.25</b>
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**Capital Grants and Contributions**

Public Education Capital Outlay	\$	1,762,777.00
Capital Outlay/Debt Service		711,686.68
Miscellaneous State Revenue		499,648.00

<b>Total Capital Grants and Contributions</b>	<b>\$</b>	<b>2,974,111.68</b>
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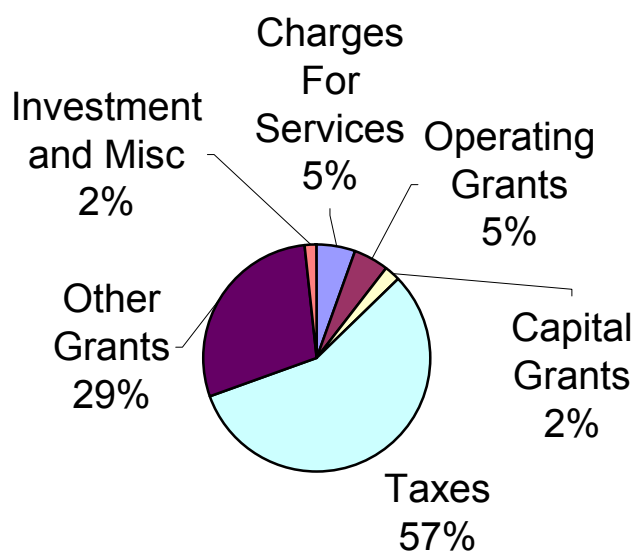
General revenues are summarized below:

**General Revenues and Special Item**

Property Taxes	\$	78,893,622.89
Other Grants and Contributions		40,003,883.89
Investment Earnings		772,086.17
Miscellaneous		2,974,729.14
Special Item		(1,573,372.27)

<b>Total General Revenues and Special Item</b>	<b>\$</b>	<b>121,070,949.82</b>
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### Total Revenues By Source



The expenses on the statement of activities are separated by function. A brief description of each function as described in the *Financial and Program Cost Accounting and Reporting for Florida Schools* manual is listed below.

**Instruction** – Activities dealing directly with the teaching of pupils, or the interaction between teacher and pupils. Includes basic (k-12), exceptional, vocational-technical, adult general, and other instruction groups.

**Pupil Personnel Services** – Activities designed to assess and improve the well-being of pupils and to supplement the teaching process.

**Instructional Media Services** – Activities concerned with the use of all teaching and learning resources, including hardware and content materials.

**Instruction and Curriculum Development Services** – Activities designed to aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques which stimulate and motivate pupils.

**Instructional Staff Training Services** – Activities designed to contribute to the professional or occupational growth and competence of members of the instructional staff during the time of their service to the school board or school.

**Board** – Activities of the elected body which has been created according to state law and vested with responsibilities for educational activities in a given administrative unit.

**General Administration** – Activities performed by the superintendent and assistant superintendents in general direction and management of all affairs of the school system.

**School Administration** – Activities concerned with directing and managing the operation of a particular school.

**Facilities Acquisition and Construction** – Activities concerned with the acquisition of land and buildings, remodeling buildings, construction of buildings and additions, and improvements to sites.

**Fiscal Services** – Activities concerned with fiscal operation of the school system, including budgeting, cash management, financial accounting, and payroll.

**Food Services** – Activities concerned with providing food to pupils and staff in a school or school system.

**Central Services** – Activities which support each of the other instructional and support services programs.

**Pupil Transportation Services** – Activities which have as their purpose the conveyance of pupils to and from school activities.

**Operation of Plant** – Activities concerned with keeping the physical plant open and ready for use, including utilities, telephone service, custodial costs, and insurance costs.

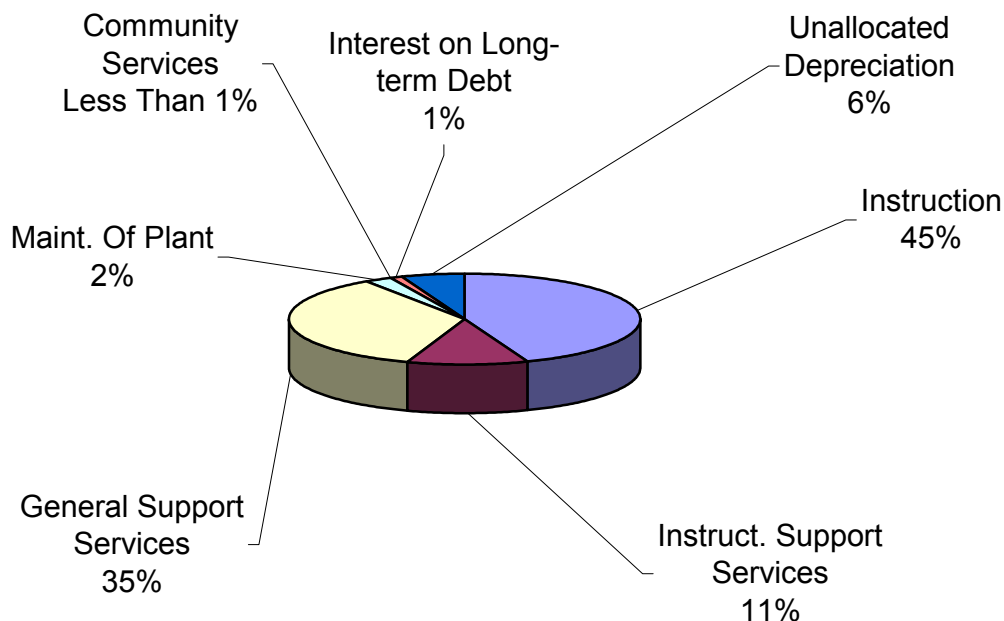
**Maintenance of Plant** – Activities concerned with keeping the grounds, buildings, and equipment at an acceptable level of efficiency through repairs or preventative maintenance.

**Community Services** – Activities that are not related to providing education for pupils in a school system, including recreational programs and civic activities.

**Debt Service** – Payments of principal, interest, and fees for the retirement of debt.

A graph of expenses by function is shown below.

## Total Expenses by Function



The change in net assets is reflected below:

Net assets – June 30, 2002	\$ 130,360,412.46
Adjustment to Net Assets	<u>3,395,768.50</u>
Net Assets – July 1, 2002, Restated	133,756,180.96
Current year activity	<u>12,995,790.63</u>
Net assets – June 30, 2003	<u><u>\$ 146,751,971.59</u></u>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The following analysis of each governmental fund reflects the beginning fund balance, net change, and ending fund balance for the fiscal year ended June 30, 2003. All funds have a positive balance as of the end of the year, with no unusual transactions occurring during the year.

**General Fund**

Fund Balance - July 1, 2002	\$ 5,504,294.13
Net Change in Fund Balance	<u>2,168,851.05</u>
Fund Balance - June 30, 2003	<u><u>\$ 7,673,145.18</u></u>

<b>Debt Service Funds</b>	<b><u>SBE/COBI</u></b>	<b><u>Special Acts</u></b>	<b><u>District Bonds</u></b>	<b><u>Total Debt Serv.</u></b>
Fund Balances - July 1, 2002	\$ 168,838.91	\$ 359,566.47	\$ 1,825,821.00	\$ 2,354,226.38
Net Change in Fund Balances	<u>(9,003.81)</u>	<u>12,697.84</u>	<u>(29,489.98)</u>	<u>(25,795.95)</u>
Fund Balances - June 30, 2003	<u><u>\$ 159,835.10</u></u>	<u><u>\$ 372,264.31</u></u>	<u><u>\$ 1,796,331.02</u></u>	<u><u>\$ 2,328,430.43</u></u>

<b>Capital Projects Funds</b>	<b><u>PECO</u></b>	<b><u>District Bonds</u></b>	<b><u>CO &amp; DS</u></b>
Fund Balances - July 1, 2002	\$ 578.36	\$ 1,845,496.47	\$ 44,581.39
Net Change in Fund Balances	<u>(578.36)</u>	<u>(424,572.26)</u>	<u>(44,581.39)</u>
Fund Balances - June 30, 2003	<u><u>\$ 0.00</u></u>	<u><u>\$ 1,420,924.21</u></u>	<u><u>\$ 0.00</u></u>

<b>Capital Projects Funds (cont'd)</b>	<b><u>Capital Improv.</u></b>	<b><u>Other Capital</u></b>	<b><u>Total Capital Projects</u></b>
Fund Balances - July 1, 2002	\$ 16,288,711.92	\$ 2,196,774.90	\$ 20,376,143.04
Net Change in Fund Balances	<u>(6,702,916.76)</u>	<u>(2,196,774.90)</u>	<u>(9,369,423.67)</u>
Fund Balances - June 30, 2003	<u><u>\$ 9,585,795.16</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 11,006,719.37</u></u>

<b>Special Revenue Funds</b>	<b><u>Food Service</u></b>	<b><u>Other Federal</u></b>	<b><u>Total Special Revenue</u></b>
Fund Balances - July 1, 2002	\$ 541,385.09	\$ 0.00	\$ 541,385.09
Net Change in Fund Balances	<u>448,474.40</u>	<u>0.00</u>	<u>448,474.40</u>
Fund Balances - June 30, 2003	<u><u>\$ 989,859.49</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 989,859.49</u></u>

### **BUDGET VARIANCES IN THE GENERAL FUND**

In analyzing the budget variances between the original and final budgets, there were no significant variations in revenue. However, under expenditures, significant increases in the instruction and pupil personnel services budgets were primarily a result of the bargaining process for employee salaries. The actual costs approximated, but did not exceed, the budget. Actual revenue variances with the final budget were within acceptable ranges, except for the Medicaid program which was down over 13 percent as a result of changes to the program. Expenditures also fell within range, except for instructional staff training where expenses were approximately 80 percent of the budget. The majority of these funds are categorical programs that can, and will be, carried over to the next year.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

During fiscal year ending June 30, 2003, the following major capital transactions occurred.

Many school and auxiliary sites were improved during the year. L. A. Ainger Middle School completed additions and renovations to classroom buildings in the amount of \$4,486,000, totally funded with Capital Improvement dollars. Additions to the Punta Gorda maintenance and transportation facilities were completed in the amount of \$2,400,000.

The new facility for Sallie Jones Elementary School was completed in March 2003, with classes beginning immediately. The existing buildings were torn down and site improvements continued throughout the summer on the playground and physical education areas. Funding for the building came from Public Education Capital Outlay and Capital Improvement funds for a total of \$12,133,000.

The Charlotte Performing Arts Center was completed during the fiscal year. The \$8,000,000 facility, which includes classrooms, received funding from local and State sources. It will be used by the school for performances, as well as outside groups on a contractual basis.

Under District policy, school buses are to be replaced every ten years. Eighteen buses were ordered during the fiscal year, but were not received until after June 30<sup>th</sup>.

The District incurred additional long-term debt during the fiscal year as a result of refunding the 1993 general obligation bonds. The length of time to maturity remains the same; however, the interest rates dropped from 4.3 to 5 percent to 2 to 2.5 percent. The savings are discussed in more detail in the notes to financial statements.

### **SIGNIFICANT ECONOMIC FACTORS**

There are no known decisions or conditions that are expected to have a significant effect on financial position or results of operations in the foreseeable future.

**REQUESTS FOR INFORMATION**

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance.

**EXHIBIT - A  
CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2003**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalent	\$ 7,500,112.23
Investments	20,381,193.81
Accounts Receivable, Net	197,887.26
Due from Other Agencies	1,958,786.66
Deferred Charges	119,534.63
Inventories	429,705.06
Restricted Assets:	
Cash with Fiscal Agent	7,780.56
Capital Assets:	
Land	7,135,826.00
Construction in Progress	2,928,624.86
Improvements Other Than Buildings, Net	2,414,039.08
Buildings and Fixed Equipment, Net	128,124,372.08
Furniture, Fixtures, and Equipment, Net	9,451,055.80
Motor Vehicles, Net	2,879,150.68
Audio Visual Materials and Computer Software, Net	297,380.96
<b>TOTAL ASSETS</b>	<b>\$ 183,825,449.67</b>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	\$ 678,455.33
Payroll Deductions and Withholdings	778,932.92
Accounts Payable	3,067,972.66
Construction Contracts Payable	1,542,252.47
Accrued Interest Payable	305,201.91
Deposits Payable	41,151.15
Sales Tax Payable	178.34
Noncurrent Liabilities:	
Portion Due Within One Year:	
Bonds Payable	3,225,000.00
Compensated Absences Payable	821,715.28
Portion Due After One Year:	
Bonds Payable	17,886,534.63
Estimated Insurance Claims Payable	484,717.00
Compensated Absences Payable	8,241,366.39
<b>Total Liabilities</b>	<b>37,073,478.08</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	132,238,449.46
Restricted for:	
State Categorical Programs	316,569.80
Debt Service	297,448.10
Capital Projects	11,006,719.37
Other Purposes	16,026.62
Unrestricted	2,876,758.24
<b>Total Net Assets</b>	<b>146,751,971.59</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 183,825,449.67</b>

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



**EXHIBIT - B**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2003**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 55,671,568.87	\$ 546,958.14	\$	\$	\$ (55,124,610.73)
Pupil Personnel Services	6,416,806.25				(6,416,806.25)
Instructional Media Services	1,970,395.26	158,377.20			(1,812,018.06)
Instruction and Curriculum Development Services	4,313,310.25				(4,313,310.25)
Instructional Staff Training	971,364.60				(971,364.60)
Board of Education	447,692.88				(447,692.88)
General Administration	531,010.88				(531,010.88)
School Administration	6,191,144.61				(6,191,144.61)
Facilities Acquisition and Construction	4,348,589.75			2,375,412.45	(1,973,177.30)
Fiscal Services	729,496.48				(729,496.48)
Food Services	5,651,736.95	2,944,833.59	3,637,205.25		930,301.89
Central Services	14,394,597.40	3,766,007.77			(10,628,589.63)
Pupil Transportation Services	4,326,689.88	187,093.74	3,365,884.00		(773,712.14)
Operation of Plant	7,985,562.61				(7,985,562.61)
Maintenance of Plant	2,989,494.84				(2,989,494.84)
Community Services	99,029.70				(99,029.70)
Interest on Long-Term Debt	1,218,356.66			598,699.23	(619,657.43)
Unallocated Depreciation Expenses	7,398,782.69				(7,398,782.69)
<b>Total Governmental Activities</b>	<b>\$ 125,655,630.56</b>	<b>\$ 7,603,270.44</b>	<b>\$ 7,003,089.25</b>	<b>\$ 2,974,111.68</b>	<b>(108,075,159.19)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for Operational Purposes					57,388,135.10
Property Taxes, Levied for Debt Service					3,244,331.36
Property Taxes, Levied for Capital Projects					18,261,156.43
Grants and Contributions Not Restricted to Specific Programs					40,003,883.89
Unrestricted Investment Earnings					772,086.17
Miscellaneous					2,974,729.14
Special Item:					
Demolition of Old School Facilities					(1,573,372.27)
Total General Revenues and Special Item					121,070,949.82
Change in Net Assets					12,995,790.63
Net Assets - July 1, 2002					130,360,412.46
Adjustment to Net Assets					3,395,768.50
Net Assets - July 1, 2002, Restated					133,756,180.96
Net Assets - June 30, 2003					\$ 146,751,971.59

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

**EXHIBIT - C**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2003**

	General Fund	Capital Projects - Local Capital Improvement Fund	Other Funds	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>				
Cash and Cash Equivalent	\$ 5,011.87	\$ 7,493,000.36	\$ 2,100.00	\$ 7,500,112.23
Investments	7,773,089.47	5,172,759.26	4,634,690.39	17,580,539.12
Accounts Receivable, Net	180,265.25			180,265.25
Due from Other Funds	244,673.65			244,673.65
Due from Other Agencies	1,137,760.48	344,172.95	476,853.23	1,958,786.66
Inventories	239,730.51		189,974.55	429,705.06
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,580,531.23</u></u>	<u><u>\$ 13,009,932.57</u></u>	<u><u>\$ 5,303,618.17</u></u>	<u><u>\$ 27,894,081.97</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Salaries and Benefits Payable	\$ 549,653.09	\$ 3,752.80	\$ 117,683.80	\$ 671,089.69
Payroll Deductions and Withholding	695,147.54	5,662.30	74,443.57	775,253.41
Accounts Payable	662,585.42	1,872,469.84	129,020.07	2,664,075.33
Construction Contract Retainage Payable		1,542,252.47		1,542,252.47
Sales Tax Payable			178.34	178.34
Due to Other Funds			227,051.64	227,051.64
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>1,907,386.05</u>	<u>3,424,137.41</u>	<u>548,377.42</u>	<u>5,879,900.88</u>
Fund Balances:				
Reserved for State Categorical Programs	316,569.80			316,569.80
Reserved for Encumbrances	110,124.17	5,774,079.95		5,884,204.12
Reserved for Debt Service			297,448.10	297,448.10
Unreserved	7,246,451.21	3,811,715.21		11,058,166.42
Unreserved, Reported in Nonmajor:				
Special Revenue Funds			989,859.49	989,859.49
Debt Service Funds			2,030,982.33	2,030,982.33
Capital Projects Funds			1,420,924.21	1,420,924.21
Permanent Funds			16,026.62	16,026.62
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<u>7,673,145.18</u>	<u>9,585,795.16</u>	<u>4,755,240.75</u>	<u>22,014,181.09</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 9,580,531.23</u></u>	<u><u>\$ 13,009,932.57</u></u>	<u><u>\$ 5,303,618.17</u></u>	<u><u>\$ 27,894,081.97</u></u>

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

**EXHIBIT - D**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2003**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>22,014,181.09</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Debt issuance costs and underwriters discounts are not expensed in the government-wide financial statements, but are recorded as deferred charges and amortized over the life of the of the debt.		119,534.63
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		153,230,449.46
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. This is the amount of accrued interest payable at year-end.		(305,201.91)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,352,341.62
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 21,111,534.63	
Estimated Insurance Claims Payable	484,717.00	
Compensated Absences Payable	9,063,081.67	(30,659,333.30)
<b>Total Net Assets - Governmental Activities</b>	<b>\$</b>	<b>146,751,971.59</b>

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

**EXHIBIT - E**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2003**

	General Fund	Capital Projects - Local Capital Improvement Fund	Other Funds	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 109,822.35	\$	\$ 2,014,665.99	\$ 2,124,488.34
Federal Through State	294,078.95		10,340,259.43	10,634,338.38
State	34,000,708.64	499,648.00	2,721,901.46	37,222,258.10
Local	59,868,023.50	19,989,979.68	6,366,112.61	86,224,115.79
<b>Total Revenues</b>	<b>94,272,633.44</b>	<b>20,489,627.68</b>	<b>21,442,939.49</b>	<b>136,205,200.61</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	55,955,152.17		5,118,599.98	61,073,752.15
Pupil Personnel Services	6,357,950.27		705,292.24	7,063,242.51
Instructional Media Services	1,893,494.21		92,679.94	1,986,174.15
Instruction and Curriculum Development Services	2,780,474.69		2,027,214.69	4,807,689.38
Instructional Staff Training	689,824.60		332,945.36	1,022,769.96
Board of Education	469,322.88			469,322.88
General Administration	234,415.79		295,202.54	529,618.33
School Administration	6,684,022.91		173,039.65	6,857,062.56
Facilities Acquisition and Construction		4,351,438.40	16,321.25	4,367,759.65
Fiscal Services	767,515.29		21,246.85	788,762.14
Food Services			6,225,707.54	6,225,707.54
Central Services	2,761,284.45		11,316.34	2,772,600.79
Pupil Transportation Services	4,888,177.35		8,257.07	4,896,434.42
Operation of Plant	8,454,191.13		21,379.26	8,475,570.39
Maintenance of Plant	3,135,590.04			3,135,590.04
Community Services	100,901.70			100,901.70
Fixed Capital Outlay:				
Facilities Acquisition and Construction		17,339,006.49	3,629,772.69	20,968,779.18
Other Capital Outlay		3,262,184.11		3,262,184.11
Debt Service:				
Principal	121,330.00		2,880,000.00	3,001,330.00
Interest and Fiscal Charges	24,565.86		1,306,916.96	1,331,482.82
<b>Total Expenditures</b>	<b>95,318,213.34</b>	<b>24,952,629.00</b>	<b>22,865,892.36</b>	<b>143,136,734.70</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,045,579.90)</b>	<b>(4,463,001.32)</b>	<b>(1,422,952.87)</b>	<b>(6,931,534.09)</b>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued			14,675,000.00	14,675,000.00
Premium on Refunding Bonds			65,410.60	65,410.60
Payments to Retire Refunded Bonds			(14,612,337.78)	(14,612,337.78)
Transfers In	3,188,603.44	455,335.00		3,643,938.44
Insurance Loss Recoveries	25,827.51			25,827.51
Transfers Out		(2,695,250.44)	(948,688.00)	(3,643,938.44)
<b>Total Other Financing Sources (Uses)</b>	<b>3,214,430.95</b>	<b>(2,239,915.44)</b>	<b>(820,615.18)</b>	<b>153,900.33</b>
<b>Net Change in Fund Balances</b>	<b>2,168,851.05</b>	<b>(6,702,916.76)</b>	<b>(2,243,568.05)</b>	<b>(6,777,633.76)</b>
Fund Balances, July 1, 2002	5,504,294.13	16,288,711.92	6,998,808.80	28,791,814.85
<b>Fund Balances, June 30, 2003</b>	<b>\$ 7,673,145.18</b>	<b>\$ 9,585,795.16</b>	<b>\$ 4,755,240.75</b>	<b>\$ 22,014,181.09</b>

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

**EXHIBIT - F**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**Net Change in Fund Balances - Governmental Funds** **\$ (6,777,633.76)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	17,306,452.32
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(1,573,372.27)
The increase in estimated insurance claims payable is an expense in the statement of activities, but is not recognized in the governmental funds statement of revenues, expenditures, and changes in fund balance.	(139,114.00)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceed proceeds in the current period.	2,475,000.00
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.	378,000.00
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. This is the net change in accrued interest in the current period.	133,383.34
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period.	1,085,322.42
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	107,752.58

**Change in Net Assets - Governmental Activities** **\$ 12,995,790.63**

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

**EXHIBIT - G**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS -**  
**PROPRIETARY FUNDS**  
**June 30, 2003**

	Governmental Activities - Internal Service Funds
	<hr/>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 7,780.56
Investments	<hr/> 2,800,654.69
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 2,808,435.25</b> <hr/>
<b>LIABILITIES</b>	
Current Liabilities:	
Salaries and Wages Payable	\$ 7,365.64
Payroll Deductions and Withholdings	3,679.51
Accounts Payable	403,897.33
Deposits Payable	<hr/> 41,151.15
<b>Total Liabilities</b>	<hr/> <b>456,093.63</b> <hr/>
<b>NET ASSETS</b>	
Unrestricted	<hr/> 2,352,341.62
<b>Total Net Assets</b>	<hr/> <b>2,352,341.62</b> <hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<hr/> <b>\$ 2,808,435.25</b> <hr/>

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

**EXHIBIT - H**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Activities - Internal Service Funds
	<hr/>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 342,343.44
Charges for Sales	28,560.85
Premium Revenues	11,963,375.68
	<hr/>
<b>Total Operating Revenues</b>	12,334,279.97
	<hr/>
<b>OPERATING EXPENSES</b>	
Salaries	241,172.44
Employee Benefits	75,469.26
Purchased Services	11,829,223.49
Energy Services	8,342.33
Materials and Supplies	44,346.16
Capital Outlay	52,451.48
Other Expenses	242.90
	<hr/>
<b>Total Operating Expenses</b>	12,251,248.06
	<hr/>
<b>Operating Income</b>	83,031.91
	<hr/>
<b>NONOPERATING REVENUES</b>	
Interest	24,720.67
	<hr/>
<b>Change in Net Assets</b>	107,752.58
	<hr/>
Total Net Assets, July 1, 2002	2,244,589.04
	<hr/>
<b>Total Net Assets, June 30, 2003</b>	\$ 2,352,341.62
	<hr/> <hr/>

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

**EXHIBIT - I**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Board Funds and Participants	\$ 12,345,467.61
Cash Payments to Vendors for Goods and Services	(11,916,125.78)
Cash Payments to Employees for Services	(316,679.80)
	<u>112,662.03</u>
<b>Net Cash Provided by Operating Activities</b>	<u>112,662.03</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(12,194,315.38)
Proceeds from Sale of Investments	12,045,300.38
Interest on Investments	24,720.67
	<u>(124,294.33)</u>
<b>Net Cash Used by Investment Activities</b>	<u>(124,294.33)</u>
<b>Net Decrease in Cash</b>	(11,632.30)
Cash, Beginning	<u>19,412.86</u>
<b>Cash, Ending</b>	<u><u>\$ 7,780.56</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 83,031.91
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Receivables	2,735.49
Decrease in Payroll Deductions and Withholding	(238.25)
Decrease in Estimated Insurance Claims Payable	(3,371.68)
Increase in Deposits Payable	11,823.83
Increase in Accounts Payable	18,480.58
Increase in Salaries and Wages Payable	200.15
	<u>29,630.12</u>
<b>Total Adjustments</b>	<u>29,630.12</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 112,662.03</u></u>

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



**EXHIBIT - J**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**June 30, 2003**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,660,151.97
	<u>1,660,151.97</u>
<b>LIABILITIES</b>	
Due to Other Funds	\$ 17,622.01
Internal Accounts Payable	<u>1,642,529.96</u>
<b>Total Liabilities</b>	<u>\$ 1,660,151.97</u>

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

**EXHIBIT - K  
CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**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 Charlotte County School District is considered part of the Florida system of public education. The governing body of the school district is the Charlotte County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Charlotte 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 these criteria, no component units are included within the reporting entity of the District.

➤ **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 School District.

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

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

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

The District reports the following major governmental funds:

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

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases for relocatable school buildings.

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

- Internal Service Funds – to account for the District's employee benefit plan and to account for the financing of the Special Projects Consortium for which the District is fiscal agent.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

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

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from 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 internal service funds are charges for employee health insurance premiums and charges for sales and services. Operating expenses include insurance claims and excess coverage premiums. 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.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

➤ **Deposits and Investments**

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

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 amortized cost.

Investments made locally consist of money market funds and are reported at fair value. The District considers these investments to be cash equivalents. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

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

➤ **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.

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

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

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	7 - 10 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, differences between the reacquisition price and the net carrying amount of refunded debt, and issuance costs are deferred and amortized over the life of the debt issue using a straight-line amortization method. Applicable premiums or discounts and differences between the reacquisition price and the net carrying amount of refunded debt are reported as part of the bond liability. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds 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, as well as applicable premiums, are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments.

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

➤ **State Revenue Sources**

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

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2002 tax levy on September 5, 2002. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Charlotte 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.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

**2. ADJUSTMENTS TO BEGINNING NET ASSETS**

The beginning net asset amount for governmental activities reflects the following corrections for errors made in prior years:

Net Assets - June 30, 2002	\$ 130,360,412.46
Adjustment - Overstatement of Compensated Absences Payable	4,073,193.47
Adjustment - Understatement of Accumulated Depreciation	<u>(677,424.97)</u>
Net Assets Restated - July 1, 2002	<u><u>\$ 133,756,180.96</u></u>

**3. 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.

**4. INVESTMENTS**

Generally accepted accounting principles require that the credit risk of investments be classified into the following three categories:

- Risk Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.
- Risk Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Risk Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

Certain investments, such as investment pools managed by other governments and mutual funds, cannot be categorized because the District's investments are not evidenced by specific, identifiable investment securities.

Section 218.415, Florida Statutes, authorizes the District to invest in investments approved by the Board. The Board has adopted an investment policy that authorizes investing in the Local Government Surplus Funds Trust Fund investment pool and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

All reported investments at June 30, 2003, are in the State Board of Administration investment pool with an amortized cost of \$20,381,193.81.

The District also invested in money market funds with an amortized cost of \$7,493,000.36. This investment was reported as a cash equivalent in the Capital Projects – Local Capital Improvement Fund. The money market funds invest only in first-tier securities such as commercial paper, bank obligations, short-term debt securities, short-term taxable municipal securities, and repurchase agreements secured by first-tier securities or United States Government obligations.

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.



**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

	Balance 7-1-02	Adjustments (See Note 2)	Additions	Deletions	Balance 6-30-03
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital Assets Not Being Depreciated:					
Land	\$ 7,106,018.75	\$	\$ 29,807.25	\$	\$ 7,135,826.00
Construction in Progress	9,961,875.55		20,525,381.89	27,558,632.58	2,928,624.86
Total Capital Assets Not Being Depreciated	17,067,894.30		20,555,189.14	27,558,632.58	10,064,450.86
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	6,123,895.81		385,600.54	68,333.27	6,441,163.08
Buildings and Fixed Equipment	143,063,533.50		27,558,632.58	3,128,878.00	167,493,288.08
Furniture, Fixtures, and Equipment	24,933,819.64		3,531,906.55	2,398,928.82	26,066,797.37
Motor Vehicles	8,657,961.36		155,677.53	157,683.14	8,655,955.75
Audio Visual Materials and Computer Software	1,204,164.35		76,861.25		1,281,025.60
Total Capital Assets Being Depreciated	183,983,374.66		31,708,678.45	5,753,823.23	209,938,229.88
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	3,751,369.00		324,340.00	48,585.00	4,027,124.00
Buildings and Fixed Equipment	37,603,431.00		3,340,739.00	1,575,254.00	39,368,916.00
Furniture, Fixtures, and Equipment	15,731,691.27	387,256.80	2,895,722.32	2,398,928.82	16,615,741.57
Motor Vehicles	4,988,155.58	240,788.82	705,543.81	157,683.14	5,776,805.07
Audio Visual Materials and Computer Software	801,827.73	49,379.35	132,437.56		983,644.64
Total Accumulated Depreciation	62,876,474.58	677,424.97	7,398,782.69	4,180,450.96	66,772,231.28
Total Capital Assets Being Depreciated, Net	121,106,900.08	(677,424.97)	24,309,895.76	1,573,372.27	143,165,998.60
Governmental Activities Capital Assets, Net	<u>\$ 138,174,794.38</u>	<u>\$ (677,424.97)</u>	<u>\$ 44,865,084.90</u>	<u>\$ 29,132,004.85</u>	<u>\$ 153,230,449.46</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$7,398,782.69, was not charged to functions but it is shown as unallocated on the statement of activities.

**6. CHANGES IN SHORT TERM DEBT**

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

	Balance 7-1-02	Additions	Deletions	Balance 6-30-03
<b>GOVERNMENTAL ACTIVITIES</b>				
Tax Anticipation Notes	<u>\$</u>	<u>\$ 11,000,000.00</u>	<u>11,000,000.00</u>	<u>\$ 0.00</u>

Proceeds of the Tax Anticipation Notes were used to pay operation expenses of the District prior to the receipt of budgeted revenue.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

**7. BONDS PAYABLE**

Bonds payable at June 30, 2003, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998-A	\$ 5,705,000.00	4.5 - 5.5	2018
Series 1999-A	635,000.00	4.00 - 4.75	2019
District Revenue Bonds:			
Series 1980	355,000.00	7.5	2006
District General Obligation Refunding Bonds:			
Series 2003	<u>14,675,000.00</u>	2.0 - 2.5	2008
Subtotal	21,370,000.00		
Add: Unamortized Premium on Debt	61,049.89		
Less: Unamortized Difference between the Reacquisition Price and the Net Carrying Amount of Old Debt	<u>(319,515.26)</u>		
Total Bonds Payable	<u><u>\$ 21,111,534.63</u></u>		

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

➤ **State School Bonds**

These bonds are issued by the State Board of Education 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. Additionally, the State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District Revenue Bonds**

Race Track Revenue Bonds - These bonds are authorized by Chapter 74-457, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Charlotte County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d) 7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established a reserve account and has accumulated and maintained adequate resources in the reserve account.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

➤ **District General Obligation Refunding Bonds**

General Obligation Refunding Bonds, Series 2003, were issued for the primary purpose of refunding the General Obligation Refunding Bonds, Series 1993, and are authorized by Article VII, Section 12, of the Constitution of the State of Florida; Sections 132.33 through Section 132.47, Florida Statutes; and Chapter 1010, Florida Statutes; and are pursuant to a resolution of the District School Board adopted January 14, 2003. The Series 2003 bonds are subject to the requirements of the Tax Reform Act of 1986. Principal and interest payments are secured by a pledge of property taxes levied, pursuant to Chapter 1010, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2003, are as follows:

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2004	\$ 608,188.00	\$ 290,000.00	\$ 318,188.00
2005	609,188.00	305,000.00	304,188.00
2006	608,163.00	320,000.00	288,163.00
2007	606,313.00	335,000.00	271,313.00
2008	611,462.00	355,000.00	256,462.00
2009-2013	3,058,043.00	2,055,000.00	1,003,043.00
2014-2019	<u>3,098,362.00</u>	<u>2,680,000.00</u>	<u>418,362.00</u>
Total State School Bonds	<u>9,199,719.00</u>	<u>6,340,000.00</u>	<u>2,859,719.00</u>
District Revenue Bonds:			
2004	137,313.00	115,000.00	22,313.00
2005	133,500.00	120,000.00	13,500.00
2006	<u>124,500.00</u>	<u>120,000.00</u>	<u>4,500.00</u>
Total District Revenue Bonds	<u>395,313.00</u>	<u>355,000.00</u>	<u>40,313.00</u>
District General Obligation Refunding Bonds:			
2004	3,180,238.00	2,820,000.00	360,238.00
2005	3,127,375.00	2,875,000.00	252,375.00
2006	3,129,875.00	2,935,000.00	194,875.00
2007	3,126,175.00	2,990,000.00	136,175.00
2008	<u>3,131,375.00</u>	<u>3,055,000.00</u>	<u>76,375.00</u>
Subtotal	15,695,038.00	14,675,000.00	1,020,038.00
Add: Unamortized Premium on Debt	61,049.89	61,049.89	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(319,515.26)</u>	<u>(319,515.26)</u>	
Total General Obligation Bonds	<u>15,436,572.63</u>	<u>14,416,534.63</u>	<u>1,020,038.00</u>
Total	<u>\$25,031,604.63</u>	<u>\$21,111,534.63</u>	<u>\$ 3,920,070.00</u>

**8. DEFEASED DEBT**

On March 4, 2003, the Board issued \$14,675,000 in Refunding General Obligation Bonds, Series 2003, with interest rates ranging from 2 to 2.5 percent to refund the \$14,270,000 outstanding District General Obligation Bonds, Series 1993, with interest rates ranging from 4.3 to 5 percent. The net proceeds from the refunding of \$14,612,337.78 (after payment of \$128,072.82 in underwriting fees, insurance, and other

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

issuance costs) were used to retire the outstanding District General Obligation Bonds, Series 1993, on April 10, 2003.

The refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$342,337.78. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is to be charged to operations through fiscal year 2007-08 using a straight-line amortization method. This refunding was undertaken to reduce total debt service payments over the next 5 years by \$759,353.13, and resulted in an economic gain of \$720,810.60.

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

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

Description	Balance 7-1-02	Adjustments (See Note 2)	Additions	Deductions	Balance 6-30-03	Due in One Year
GOVERNMENTAL ACTIVITIES						
Bonds Payable	\$ 23,845,000.00	\$	\$ 14,675,000.00	\$ 17,150,000.00	\$ 21,370,000.00	\$ 3,225,000.00
Less:						
Net Unamortized Bond Costs			276,927.18	18,461.81	258,465.37	
Bonds Payable, Net	23,845,000.00		14,398,072.82	17,131,538.19	21,111,534.63	3,225,000.00
Estimated Insurance Claims Payable	345,603.00		139,114.00		484,717.00	
Compensated Absences Payable	14,221,597.56	(4,073,193.47)	449,415.63	1,534,738.05	9,063,081.67	821,715.28
Total Governmental Activities	\$ 38,412,200.56	\$ (4,073,193.47)	\$ 14,986,602.45	\$ 18,666,276.24	\$ 30,659,333.30	\$ 4,046,715.28

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

**10. 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 2003-04 fiscal year budget as a result of purchase orders outstanding at June 30, 2003.

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

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

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$244,673.65	\$
Nonmajor Governmental Funds		227,051.64
Agency Funds		17,622.01
Total	<u>\$244,673.65</u>	<u>\$244,673.65</u>

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement. All the amounts will be repaid within the 2003-04 fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$3,188,603.44	\$
Capital Projects:		
Local Capital Improvement	455,335.00	2,695,250.44
Nonmajor Governmental Funds		948,688.00
Total	<u>\$3,643,938.44</u>	<u>\$3,643,938.44</u>

The transfers out of the Capital Projects – Local Capital Improvement Fund and the Nonmajor Governmental Funds were to finance building maintenance and purchase of equipment.

## 12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2002-03 fiscal year:

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 22,389,009.00
Categorical Educational Programs:	
Discretionary Lottery Funds	1,202,238.00
Other	7,307,064.53
Workforce Development Program	2,803,069.00
Gross Receipts Tax (Public Education Capital Outlay)	1,762,777.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	711,686.68
Cultural Facilities Grant	499,648.00
Food Service Supplement	109,060.00
Mobile Home License Tax	90,351.31
Miscellaneous	347,354.58
	<u>                    </u>
Total	<u><u>\$ 37,222,258.10</u></u>

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

**13. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2002 tax roll for the 2002-03 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.669	\$ 53,748,068
Basic Discretionary Local Effort	0.510	4,835,335
Supplemental Discretionary Local Effort	0.095	900,700
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.354	3,356,291
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	18,962,099
Total	<u>8.628</u>	<u>\$ 81,802,493</u>

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

**14. STATE RETIREMENT PROGRAM**

**Defined Benefit Plan.** All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. 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 provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**Funding Policy.** The contribution rates for members are established, and may be amended, by the State of Florida. During the 2002-03 fiscal year, contribution rates were as follows:

Class or Plan	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	5.76
Florida Retirement System, Elected County Officers	0.00	11.86
Florida Retirement System, Senior Management Service	0.00	6.06
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement and 0.15 percent for administrative costs of the Public Employee Optional Retirement Program.

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



**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

The District's liability for participation in the Plan 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, 2001, June 30, 2002, and June 30, 2003, totaled \$5,969,533.94, \$4,485,584.57, and \$4,040,489.08, respectively, which were equal to the required contributions for each fiscal year.

**Defined Contribution Plan.** Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. 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, 2003, totaled \$98,540.23.

**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, and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**15. 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
Port Charlotte High School - Phase III:			
Architect	\$ 160,325.00	\$ 154,873.92	\$ 5,451.08
Contractor	2,222,788.00	1,600,915.93	621,872.07
Transportation Building:			
Architect	243,300.00		243,300.00
Contractor	509,561.00	121,228.40	388,332.60
Charlotte High School - Agricultural Building:			
Architect	32,000.00	16,300.00	15,700.00
Contractor	398,570.00	70,582.50	327,987.50
Total	<u>\$ 3,566,544.00</u>	<u>\$ 1,963,900.75</u>	<u>\$ 1,602,643.25</u>

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

**16. CONSORTIUMS**

The District is a member of the Special Projects Center Consortium, a four-district consortium formed to provide instructional media to support the educational programs of the schools served by the Center. The Board served as fiscal agent for the Consortium, and has established an internal service fund to account for the program.

**17. RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Charlotte County District School Board is a member of the South Central Educational Risk Management Consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Employer's Mutual, Inc. (formerly McCreary Corporation), serves as the administrator and fiscal agent for the Consortium.

As a result of incurred claims exceeding member contributions, the property and casualty group has a contribution deficiency of \$3,626,188 at June 30, 2003. The Charlotte County District School Board's portion of the contribution deficiency is \$484,717. The member school boards have agreed to a funding plan to cure the deficiency. The member school boards will increase subsequent years' contributions as needed until the deficiency is cured.

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

The District's health and hospitalization insurance program is administered by an insurance carrier under an agreement wherein the total premium is divided and the District retains on deposit a portion of the premium in a minimum premium account. The insurance carrier draws on this account to pay claims submitted by District employees and dependents.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

A liability in the amount of \$309,755 was accrued in the Employee Benefits Program Internal Service Fund to cover the deficiency of contingent premiums received over total expenses incurred during the calendar year January 1, 2001, through December 31, 2001.

**18. INTERNAL SERVICE FUNDS**

The following is a summary of financial information as reported in the Internal Service Funds for the 2002-03 fiscal year:

	Total	Employee Benefit Insurance	Special Projects Center
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 2,808,435.25</u>	<u>\$ 2,774,939.25</u>	<u>\$ 33,496.00</u>
Liabilities and Net Assets:			
Accounts Payable	\$ 403,897.33	\$ 401,226.33	\$ 2,671.00
Salaries and Wages Payable	7,365.64	1,965.67	5,399.97
Payroll Deductions and Withholdings Payable	3,679.51	884.22	2,795.29
Deposits Payable	41,151.15	41,151.15	
Unrestricted Net Assets	<u>2,352,341.62</u>	<u>2,329,711.88</u>	<u>22,629.74</u>
Total Liabilities and Net Assets	<u>\$ 2,808,435.25</u>	<u>\$ 2,774,939.25</u>	<u>\$ 33,496.00</u>
Revenues:			
Premium Contributions	\$ 11,963,375.68	\$ 11,963,375.68	\$
Charges for Services	342,343.44		342,343.44
Charges for Sales	28,560.85		28,560.85
Interest Income	<u>24,720.67</u>	<u>23,352.06</u>	<u>1,368.61</u>
Total Revenues	12,359,000.64	11,986,727.74	372,272.90
Total Expenses	<u>(12,251,248.06)</u>	<u>(11,825,242.31)</u>	<u>(426,005.75)</u>
Change in Net Assets	<u>\$ 107,752.58</u>	<u>\$ 161,485.43</u>	<u>\$ (53,732.85)</u>

**EXHIBIT - L**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 115,000.00	\$ 115,000.00	\$ 109,822.35	\$ (5,177.65)
Federal Through State	355,902.00	338,576.00	294,078.95	(44,497.05)
State	32,720,271.00	33,910,867.00	34,000,708.64	89,841.64
Local	58,667,984.00	59,495,579.00	59,868,023.50	372,444.50
<b>Total Revenues</b>	<b>91,859,157.00</b>	<b>93,860,022.00</b>	<b>94,272,633.44</b>	<b>412,611.44</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	54,009,638.00	57,024,548.00	55,955,152.17	1,069,395.83
Pupil Personnel Services	6,053,587.00	6,408,281.00	6,357,950.27	50,330.73
Instructional Media Services	1,857,817.00	1,930,868.00	1,893,494.21	37,373.79
Instruction and Curriculum Development Services	2,678,976.00	2,782,489.00	2,780,474.69	2,014.31
Instructional Staff Training	886,980.00	857,584.00	689,824.60	167,759.40
Board of Education	516,251.00	534,515.00	469,322.88	65,192.12
General Administration	237,067.00	234,742.00	234,415.79	326.21
School Administration	6,666,996.00	6,812,786.00	6,684,022.91	128,763.09
Fiscal Services	776,086.00	802,647.00	767,515.29	35,131.71
Central Services	2,592,446.00	2,781,997.00	2,761,284.45	20,712.55
Pupil Transportation Services	4,802,424.00	5,071,504.00	4,888,177.35	183,326.65
Operation of Plant	8,750,260.00	8,948,216.00	8,454,191.13	494,024.87
Maintenance of Plant	3,161,217.00	3,157,374.00	3,135,590.04	21,783.96
Community Services	84,401.00	104,593.00	100,901.70	3,691.30
Debt Service:				
Principal	250,000.00	206,670.00	121,330.00	85,340.00
Interest and Fiscal Charges	30,000.00	24,566.00	24,565.86	0.14
<b>Total Expenditures</b>	<b>93,354,146.00</b>	<b>97,683,380.00</b>	<b>95,318,213.34</b>	<b>2,365,166.66</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,494,989.00)</b>	<b>(3,823,358.00)</b>	<b>(1,045,579.90)</b>	<b>2,777,778.10</b>
<b>Other Financing Sources</b>				
Transfers In	3,380,000.00	3,580,000.00	3,188,603.44	(391,396.56)
Insurance Loss Recoveries			25,827.51	25,827.51
<b>Total Other Financing Sources</b>	<b>3,380,000.00</b>	<b>3,580,000.00</b>	<b>3,214,430.95</b>	<b>(365,569.05)</b>
<b>Net Change in Fund Balance</b>	<b>1,885,011.00</b>	<b>(243,358.00)</b>	<b>2,168,851.05</b>	<b>2,412,209.05</b>
Fund Balance, July 1, 2002	5,504,294.00	5,504,294.00	5,504,294.13	0.13
<b>Fund Balance, June 30, 2003</b>	<b>\$ 7,389,305.00</b>	<b>\$ 5,260,936.00</b>	<b>\$ 7,673,145.18</b>	<b>\$ 2,412,209.18</b>

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**FEDERAL REPORTS AND SCHEDULES**

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

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

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2003, which collectively comprise the District's basic financial Statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements included disclosures regarding our reference to the report of other auditors. The financial statements of the school internal funds were not audited in accordance with *Governmental Auditing Standards* and, accordingly, this report does not extend to the school internal funds. 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.

### ***Compliance***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*. However, our procedures did disclose certain instances of noncompliance which are not material to the basic financial statements. These matters are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

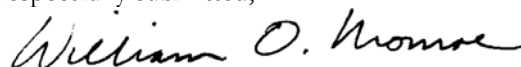
***Internal Control Over Financial Reporting***

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 District's basic financial statements and not to provide assurance on the District's internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These matters are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

A material weakness is a 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 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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

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

Respectfully submitted,



William O. Monroe, CPA

February 5, 2004



# AUDITOR GENERAL STATE OF FLORIDA

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

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

### *Compliance*

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2003. The District's major Federal programs are identified in the **SUMMARY OF AUDIT RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of the District's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. The legal determination on the District's compliance with these requirements is, however, ultimately the responsibility of the grantor agency.



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 fiscal year ended June 30, 2003.

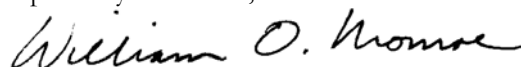
### ***Internal Control Over Compliance***

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 internal control over compliance in accordance with OMB *Circular A-133*.

Our consideration of the internal control over compliance and its operation would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 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 for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

February 5, 2004

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550 (2)	None	\$ 622,485.99
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	594,417.00
National School Lunch Program	10.555	300, 301	2,483,668.00
Summer Food Service Program for Children	10.559	323	124,183.00
<b>Total Child Nutrition Cluster</b>			<b>3,202,268.00</b>
<b>Total United States Department of Agriculture</b>			<b>3,824,753.99</b>
<b>United States Department of Labor:</b>			
Indirect:			
Florida Department of Education:			
WIA Youth Activities	17.259	WCW1A1Y02-1	34,010.93
<b>United States Department of Education:</b>			
Direct:			
Federal Student Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	13,187.00
Federal Work-Study Program	84.033	N/A	5,794.32
Federal Pell Grant Program	84.063	N/A	294,332.00
<b>Total Federal Student Aid Cluster</b>			<b>313,313.32</b>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	2,508,453.84
Special Education - Preschool Grants	84.173	267	132,801.16
Washington County District School Board:			
Special Education - Grants to States	84.027	None	2,389.68
<b>Total Special Education Cluster</b>			<b>2,643,644.68</b>
Florida Department of Education:			
Adult Education - State Grant Program	84.002	191	335,986.25
Title I Grants to Local Educational Agencies	84.010	212	2,501,416.60
Vocational Education - Basic Grants to States	84.048	151	217,930.10
Safe and Drug-Free Schools and Communities - National Programs	84.184	107	4,844.25
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	119,120.46
Education For Homeless Children and Youth	84.196	127	58,703.42
Even Start - State Educational Agencies	84.213	219	101,385.51
Innovative Educational Program Strategies	84.298	113	103,689.44
Education Technology State Grants	84.318	121, 122	57,066.11
English Language Acquisition Grants	84.365	102	17,246.60
Improving Teacher Quality State Grants	84.367	224, 225	642,625.31
<b>Total Indirect</b>			<b>4,160,014.05</b>
<b>Total United States Department of Education</b>			<b>7,116,972.05</b>
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600 (3)	N/A	2,014,665.99
<b>Corporation for National and Community Service:</b>			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	7,560.13
<b>United States Department of Defense:</b>			
Direct:			
Naval Junior Reserve Officers Training Corps	None	N/A	109,822.35
<b>Total Expenditures of Federal Awards</b>			<b>\$ 13,107,785.44</b>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2002-03 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance. Food Donation - Represents the amount of donated food used during the 2002-03 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) Head Start. For grant number/program year 04CH3161/37 expenditures include Head Start projects PA-22, \$920,991.64 and PA-20, \$10,071.40 and Early Head Start projects PA-25, \$415,030.59 and PA-11, \$5,303.40. For grant number/program year 04CH3161/36 expenditures include Head Start projects PA-22, \$373,220.95 and PA-20, \$6,538.83 and Early Head Start projects PA-25, \$283,509.18.

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2003**

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**SUMMARY OF AUDIT RESULTS**

As required by United States Office of Management and Budget *Circular A-133*, Section \_\_.505, the following is a summary of the results of the audit of the Charlotte County District School Board for the fiscal year ended June 30, 2003:

- There was no modification to the opinion on the financial statements.
- Certain matters involving the internal control and its operation were considered to be reportable conditions, though none of the reportable conditions was considered a material weakness.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were disclosed.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were disclosed.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Adult Education – State Grant Program (CFDA No. 84.002); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Improving Teacher Quality State Grants (CFDA No. 84.367).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$393,234.
- The low risk entity threshold was not applied.

**FINDINGS AND RECOMMENDATIONS**

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2003**

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
03-154		There were no prior audit findings - Federal Awards.		

David E. Gayler, Ph.D  
Superintendent



School Board

Andrea Messina, *Chairman*  
Barbara Rendell, *Vice Chairman*  
Connie Kantor  
Sue Sifrit  
Lee Swift

March 8, 2004

Mr. William O. Monroe  
Auditor General  
111 West Madison Street  
G74 Claude Pepper Building  
Tallahassee, Florida 32302


Dear Mr. Monroe:

We have reviewed the list of preliminary and tentative audit findings and hereby submit our written response as required by Section 11.45(7)(d), Florida Statute.

- I. Control Environment – Procedures Manual:  
We concur that a comprehensive procedures manual would be an enhancement of our control system. We will continue our efforts to create a comprehensive procedures manual it is anticipated that a working draft will be available next years audit.
- II. School Recognition:  
We will be providing more stringent guidance to schools on the future expenditure of school recognition funds. Since we are all aware that this is a statewide issue we see no need to seek specific clarification, but await the issuance of guidelines by DOE regarding the expenditure of school recognition funds.
- III. Information Technology:  
We will be addressing the issues raised by your staff.

Thank you for the professional manner in which this audit was conducted. We appreciate the insight that your staff provides to us which helps us to continuously improve the operations of Charlotte County Public Schools.

Sincerely,



David E. Gayler, Ph.D