



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



**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

Charlotte County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District</i>
	<u><i>No.</i></u>
<i>Lee Swift</i>	<i>1</i>
<i>Alleen Miller</i>	<i>2</i>
<i>Andrea Messina, Vice-Chair from 11-22-05</i>	<i>3</i>
<i>Sue Sifrit, Vice-Chair to 11-21-05, Chair from 11-22-05</i>	<i>4</i>
<i>Barbara Y. Rendell, Chair to 11-21-05</i>	<i>5</i>

*Dr. David E. 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

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY .....	i
FINDINGS AND RECOMMENDATIONS.....	1
FINANCIAL SECTION .....	5
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	6
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	8
BASIC FINANCIAL STATEMENTS .....	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	52
FEDERAL REPORTS AND SCHEDULES .....	54
MANAGEMENT RESPONSE.....	62

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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

The Charlotte County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

**Summary of Report on Internal Control and Compliance**

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

**Summary of Audit Findings****Finding No. 1: Information Technology – User Account Management**

Improvements were needed in the timely deletion of information technology access privileges for terminated employees and employees on extended leave.

**Finding No. 2: Fingerprinting Requirements**

Improvements were needed in procedures for timely obtaining fingerprints and background checks for noninstructional and instructional personnel.

**Finding No. 3: Written Policies and Procedures – Charlotte Performing Arts Center**

The District did not have written policies and procedures pertaining to the box office operations at the Charlotte Performing Arts Center.

**Finding No. 4: Architect Liability Insurance**

The District did not have policies and procedures to establish minimum insurance requirements for design professionals.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Head Start programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

**Audit Objectives and Scope**

Our audit objectives were to determine whether the 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 over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and

- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2006-144.

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, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

### Audit Methodology

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

This audit was conducted by Derick B. Boston, 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 and other audit reports prepared by the Auditor General can be obtained on our Web site [www.state.fl.us/audgen](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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<b>Additional Matters</b>
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**Finding No. 1: Information Technology – User Account Management**

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Access to information technology resources, including, but not limited to, Bi-Tech (finance, employee management, purchasing, and inventory), SASI (student system), First Class (e-mail), and Novell (system log-on) applications should be limited to active employees who require such access in the performance of their duties. Deliberate or accidental errors to data files and improper use of computer resources may be caused by unauthorized use of information technology resources. Computer access privileges for terminated employees or employees on extended leave should be deleted from the various system and application software applications as soon as possible after the employee's termination or extended leave of absence to minimize the possibility of unauthorized intrusion.

To provide management with the assurance that proper access controls to information technology resources for terminated employees or employees on extended leave are maintained, policies and procedures are needed to ensure the timely removal of terminated or extended leave employees from computer access. Effective controls include maintaining records within the computer system or by other means of documentation to demonstrate when the employee was terminated or became inactive and when the employee's access was removed from the computer system.

District records showed that 290 employees terminated employment during the 2005-06 fiscal year. Human Resource department employees were responsible for inputting the termination data, including the effective date of termination, into the District's employee database. Support for the termination data in the form of resignation letters, termination letters, e-mails, and typed listings of terminated or inactive employees were provided to Information Communication System department (ICS) employees in order to have the employee's information technology access removed or locked by ICS.

Our testing of the timely deletion of terminated or inactive employees from District computer access, disclosed the following control deficiencies:

- The District did not have a consistent policy of maintaining or documenting computer access deletion records to substantiate the timely deletion of terminated or inactive employees from some of the system and applications software, including, but not limited to, Bi-Tech, SASI, First Class, and Novell.
- Eight instances were noted where an employee was listed in the District's Termination Report (data) and support for termination data was not transmitted to ICS.

The untimely removal of terminated or inactive employees from District computer access results in an increased risk that unauthorized or improper use of computer resources may occur. Discussions with ICS management indicated that it may be more efficient to utilize the termination data input by the Human Resources department by automating the process to terminate user accounts directly for all aspects of application software, eliminating

time delays in the transmission of substantiation data to ICS from human resources and also creating an audit trail of the timeliness of the deletion date.

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**Recommendation:** The District should continue to enhance the procedures for the timely deletion of information technology access privileges for terminated employees, including proper documentation of the timeliness and completeness of the process. Additionally, the ICS department should work with the Human Resources department to ensure that termination data is timely input into the employee database as soon as possible after the employee terminates or becomes inactive to facilitate the timely deletion of access privileges.

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**Finding No. 2: Fingerprinting Requirements**

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Sections 1012.465 and 1012.56(9), Florida Statutes, require that noninstructional school district employees, and instructional personnel renewing their teaching certificates, respectively, undergo a background screening, including a requirement that such individuals file a complete set of fingerprints. Further, Section 1012.56(9), Florida Statutes, provides, in part, that “Every 5 years after obtaining initial certification, each person who is required to be certified under this chapter must meet level 2 screening requirements...” In a memorandum dated June 25, 2004, the Florida Department of Education (FDOE) recommended that, due to the large number of affected employees, districts conduct the background screenings for certified instructional employees every five years at the time of renewal of their teaching certificates and that background screenings be obtained for approximately 20 percent of the noninstructional employees each year in order to have all background screenings for such staff completed by July 1, 2009.

The District had not established an adequate process during the 2005-06 fiscal year for performing the required background screenings for noninstructional personnel and for instructional personnel who are renewing their certificates. Background screenings were not conducted for any of the noninstructional personnel hired prior to July 1, 2004, nor for any of the teachers who renewed their teaching certificates during the 2005-06 fiscal year. We were informed by District personnel that the District has started conducting background screenings in the 2006-07 fiscal year for instructional personnel at the time of renewal of their teaching certificates, and will start background screenings for noninstructional personnel in the spring of 2007. Without an adequate process for performing the required background screenings on a timely basis, there is an increased risk that individuals with backgrounds that are not suitable for direct contact with students may be allowed access to the students. A similar finding was noted in our report No. 2006-144.

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**Recommendation:** The District should enhance its personnel procedures to ensure that required fingerprinting and background checks are performed for noninstructional and instructional personnel, in a timely manner.

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**Finding No. 3: Written Policies and Procedures – Charlotte Performing Arts Center**

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The District could enhance its internal controls with the development of written policies and procedures pertaining to the box office operations at the Charlotte Performing Arts Center (CPAC). CPAC, located adjacent to Charlotte High School and managed by the District, commenced operations in September 2003. CPAC offers school-sponsored events, local organization-sponsored events, and performances by professional artists to the local community, and reported approximately \$207,000 of revenues in the 2005-06 fiscal year. On-site CPAC administration is limited to a full-time manager and a secretary, and the box office is staffed by community volunteers. The current manager and the secretary were both hired during the 2005-06 fiscal year.

As similarly noted in our report No. 2006-144, our review disclosed that CPAC did not have written policies and procedures pertaining to box office operations, to include the handling of cash receipts, contracting for performances and invoicing promoters, and reconciling daily box office reports and other cash receipts to bank statements and accounting system reports. Written policies and procedures are necessary to ensure appropriate training of new staff, as well as to provide an aid in bridging the transition in the event of changes in key personnel. Additionally, written procedures serve to document the duties of key personnel, and may also serve to communicate management's commitment to, and support of, a strong system of internal control. Subsequent to the audit period, District personnel provided us with a draft document, dated January 18, 2007, entitled "The Center Box Office Procedures." We noted, however, that these procedures still do not address contracting for performances and invoicing promoters, or reconciling daily box office reports and other cash receipts to bank statements and accounting system reports.

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**Recommendation: The District should ensure that its written policies and procedures for box office operations at the Charlotte Performing Arts Center include all activities of its box office operations, including contracting for performances and invoicing promoters, and reconciling daily box office reports and other cash receipts to bank statements and accounting system reports.**

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**Finding No. 4: Architect Professional Liability Insurance**

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The District had not adopted standard architect liability coverage requirements. Section 4.1(2)(f) of the Florida Department of Education publication, *State Requirements for Educational Facilities - 1999*, indicates that the Florida Board of Architecture, Interior Design, and Landscape Architecture does not require the design professional to carry insurance against errors and omissions or liability and, consequently, states that boards should either develop policy to provide this insurance for the design professional who does not carry insurance or require its design professional to carry insurance.

The District entered into a contract with an architectural firm to design the Lemon Bay High School Athletic Field Improvements and Port Charlotte High School Multipurpose Gym, with an approximate construction cost of \$4.8 million. The District obtained proof of insurance at the time of the contract award to the firm to design these projects. The firm had aggregate professional liability of \$3 million. The insurance coverage in effect may not be adequate based on anticipated project cost. Adopting policies that establish uniform architect insurance



requirements and procedures to verify those requirements would enhance the District's protection in the event that deficiencies exist in the work performed by these professionals. A similar finding was noted in audit report No. 2006-144.

During a Board workshop meeting on February 2, 2007, the Board agreed to draft a policy for architect insurance requirements, obtain attorney approval, and include the policy in the bylaws and policies of the School Board.

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**Recommendation: The District should continue its efforts to adopt policies and procedures to establish minimum insurance coverage requirements for design professionals.**

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#### **PRIOR AUDIT FINDINGS**

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2006-144.

#### **MANAGEMENT RESPONSE**

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Charlotte County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 62 through 64.

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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 Assets and Liabilities – Fiduciary Funds.*

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

***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

***EXHIBIT – L*** *Budgetary Comparison Schedule – General and Major Special Revenue Funds.*



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, 2006, which collectively comprise the District's basic financial statements as listed on page 5. 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 20 percent of the assets and 52 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, 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 the 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.

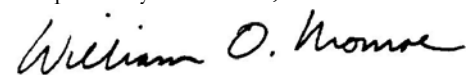
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Charlotte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

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

The Management's Discussion and Analysis (pages 8 through 16) and the Budgetary Comparison Schedule (shown as 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 *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 9, 2007

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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 provide an overview of the District's financial activities for the fiscal year ended June 30, 2006. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 17 through 50.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2005-06 fiscal year are as follows:

- In total, net assets increased \$51,296,115.42, which represents a 24.7 percent increase from the 2004-05 fiscal year.
- General revenues total \$169,210,764.74, or 83 percent of all revenues and extraordinary items. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$19,619,560.73, or 9.6 percent of total revenues and extraordinary items.
- Expenses total \$152,655,107.98; only \$19,619,560.73 of these expenses were offset by program specific charges, with the remainder paid from general revenues and extraordinary items. Total revenues and extraordinary items exceeded total expenses by \$51,296,115.42.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$11,498,623.58 at June 30, 2006, or 9.4 percent of total General Fund expenditures.
- The District's total debt decreased by \$3,335,936.06, or approximately 22.7 percent. The key factor in this decrease was the debt service payments on bonds.

**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.

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

### **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, Special Revenue - Miscellaneous 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 and major Special Revenue 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 the 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 student activities and groups.

### 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, 2006, compared to net assets as of June 30, 2005:

	<b>Net Assets, End of Year</b>			
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-06	6-30-05		
Current and Other Assets	\$ 116,589,504.67	\$ 87,028,273.32	\$ 29,561,231.35	34%
Capital Assets	171,654,503.53	154,992,079.28	16,662,424.25	11%
<b>Total Assets</b>	<b>288,244,008.20</b>	<b>242,020,352.60</b>	<b>46,223,655.60</b>	<b>19%</b>
Current liabilities	8,147,001.14	10,471,272.16	(2,324,271.02)	-22%
Long-Term Liabilities	21,014,008.38	23,762,197.18	(2,748,188.80)	-12%
<b>Total Liabilities</b>	<b>29,161,009.52</b>	<b>34,233,469.34</b>	<b>(5,072,459.82)</b>	<b>-15%</b>
Net Assets:				
Invested in Capital Assets -				
Net of Related Debt	160,350,503.53	140,363,079.28	19,987,424.25	14%
Restricted	89,147,727.70	61,156,526.07	27,991,201.63	46%
Unrestricted	9,584,767.45	6,267,277.91	3,317,489.54	53%
<b>Total Net Assets</b>	<b>\$ 259,082,998.68</b>	<b>\$ 207,786,883.26</b>	<b>\$ 51,296,115.42</b>	<b>25%</b>

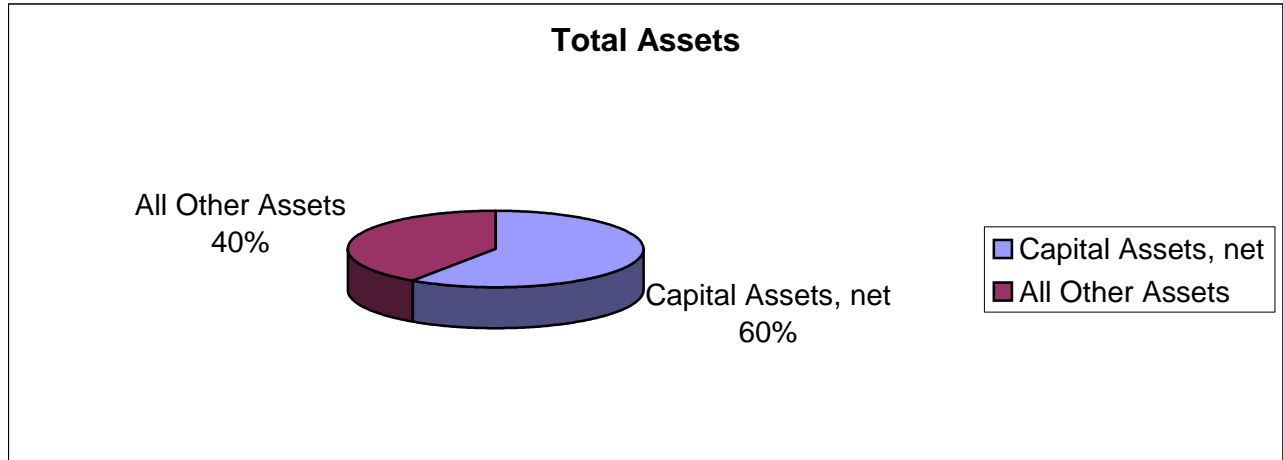
The largest portion of the District's net assets (62 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.



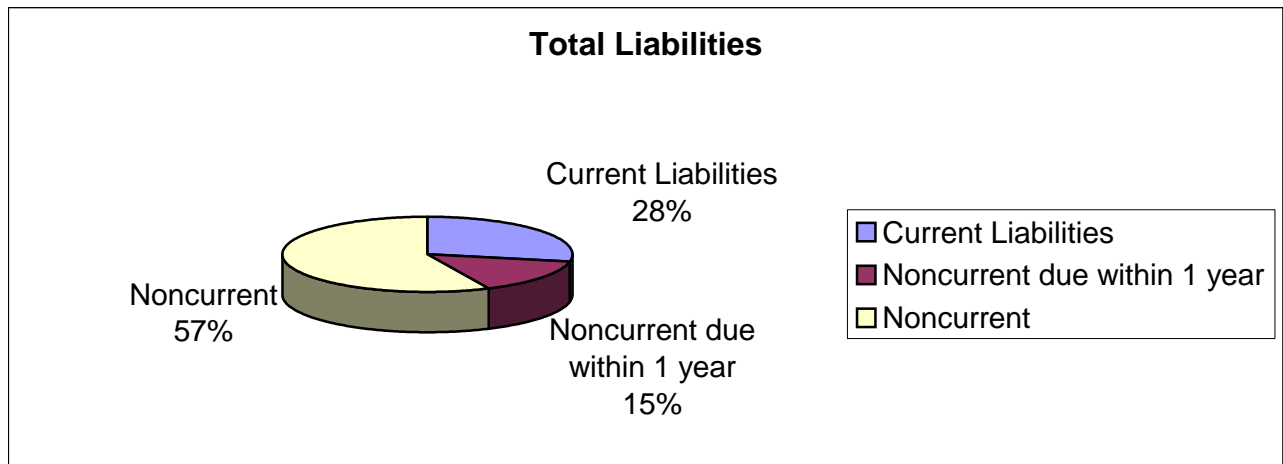
The restricted portion of the District’s net assets (34 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The following graphs show, in an analytical manner, the District’s net assets as a percentage of the total for each group (i.e., assets, liabilities, and net assets).

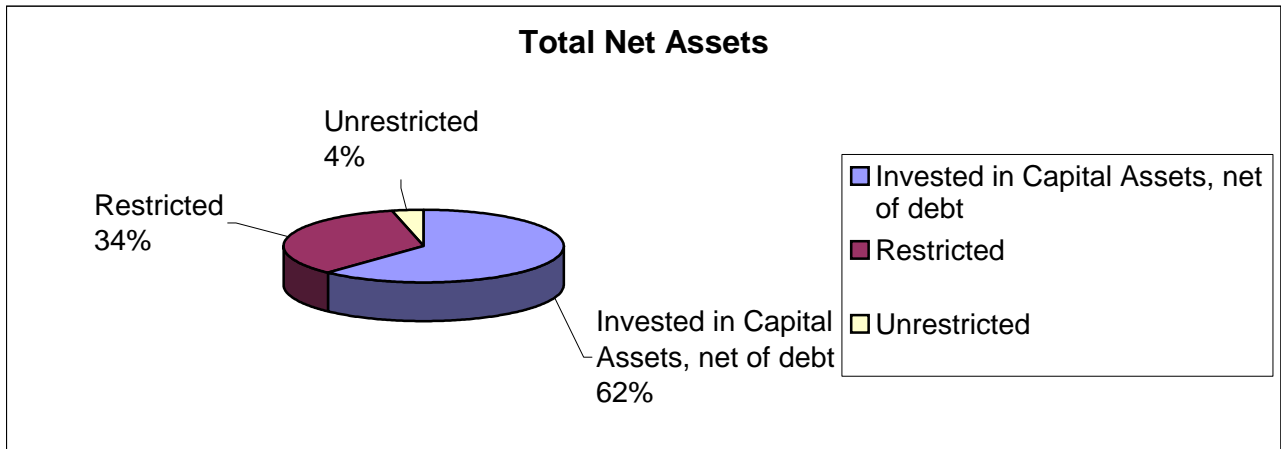
Total assets, distinguishing between capital and other assets:



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



Total net assets, distinguishing among amounts invested in capital assets, net of related debt, restricted, and unrestricted:



The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2006, and June 30, 2005, are as follows:

## Operating Results for the Year

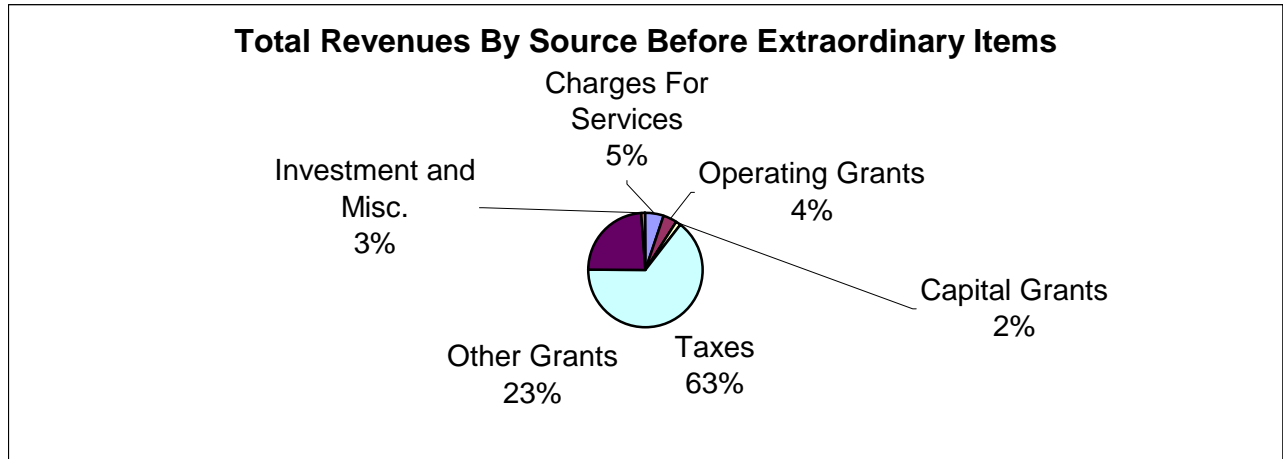
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-06	6-30-05		
<b>Program Revenues:</b>				
Charges for Services	\$ 9,456,681.95	\$ 7,911,828.29	\$ 1,544,853.66	20%
Operating Grants and Contributions	7,164,948.05	7,047,761.13	117,186.92	2%
Capital Grants and Contributions	2,997,930.73	6,030,771.76	(3,032,841.03)	-50%
<b>General Revenues:</b>				
Property Taxes, Levied for Operational Purposes	82,140,096.81	77,406,332.53	4,733,764.28	6%
Property Taxes, Levied for Debt Service	3,137,225.05	3,283,938.56	(146,713.51)	-4%
Property Taxes, Levied for Capital Projects	30,938,390.91	24,930,637.02	6,007,753.89	24%
Local Sales Taxes	2,100,000.00		2,100,000.00	100%
Grants and Contributions Not Restricted to Specific Programs	43,696,697.93	36,901,117.01	6,795,580.92	18%
Unrestricted Investment Earnings	4,985,806.19	2,133,235.47	2,852,570.72	134%
Miscellaneous	2,212,547.85	2,104,808.29	107,739.56	5%
Extraordinary Items	15,120,897.93	17,990,895.23	(2,869,997.30)	16%
<b>Total Revenues</b>	<b>203,951,223.40</b>	<b>185,741,325.29</b>	<b>18,209,898.11</b>	<b>10%</b>
<b>Functions/Program Expenses:</b>				
Instruction	70,527,023.15	64,840,587.34	5,686,435.81	9%
Pupil Personnel Services	8,223,803.02	7,608,393.75	615,409.27	8%
Instructional Media Services	2,285,096.32	2,071,831.66	213,264.66	10%
Instruction and Curriculum Development Services	5,538,774.20	5,329,438.28	209,335.92	4%
Instructional Staff Training Services	1,766,627.97	1,358,668.19	407,959.78	30%
Instruction Related Technology	152,134.47		152,134.47	100%
Board of Education	540,601.59	495,360.59	45,241.00	9%
General Administration	666,203.39	627,662.66	38,540.73	6%
School Administration	7,314,245.53	6,721,344.77	592,900.76	9%
Facilities Acquisition and Construction		316,165.02	(316,165.02)	-100%
Fiscal Services	858,841.55	814,616.93	44,224.62	5%
Food Services	6,201,556.40	4,821,506.67	1,380,049.73	29%
Central Services	18,783,787.06	17,829,306.58	954,480.48	5%
Pupil Transportation Services	5,860,028.91	5,921,674.29	(61,645.38)	-1%
Operation of Plant	11,290,102.20	9,302,471.44	1,987,630.76	21%
Maintenance of Plant	3,776,737.51	3,339,501.40	437,236.11	13%
Administrative Technology Services	1,121,990.76		1,121,990.76	100%
Community Services	538,525.20	661,430.80	(122,905.60)	-19%
Interest on Long-Term Debt	586,277.39	991,564.80	(405,287.41)	-41%
Unallocated Depreciation Expenses	6,622,751.36	7,321,403.31	(698,651.95)	-10%
<b>Total Functions/Program Expenses</b>	<b>152,655,107.98</b>	<b>140,372,928.48</b>	<b>12,282,179.50</b>	<b>9%</b>
<b>Increase in Net Assets</b>	<b>\$ 51,296,115.42</b>	<b>\$ 45,368,396.81</b>	<b>\$ 5,927,718.61</b>	<b>13%</b>

The largest revenue source for the 2005-06 fiscal year is from the property tax levy, which resulted in total revenue for operational, debt service, and capital purposes of \$116,215,712.77 or 61.5 percent of total revenues, excluding extraordinary items. Revenues from State sources for current operations are primarily received through the Florida Educational Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Revenues from State sources for current operations total \$36,625,461.53 for the 2005-06 fiscal year, of which \$8,126,056 is attributable to FEFP funding.

Capital grants and contributions had a net decrease of \$3,032,841.03, or 50.3 percent. Last year’s amount was larger due to a Public Education Capital Outlay allocation from the State to be used for new classrooms. Public Education Capital Outlay allocations for the current year were only for maintenance, repairs, and renovations.

Extraordinary items in the 2005-06 fiscal year include insurance proceeds received from insurers for hurricane damage caused by Hurricane Charley in August 2004 and associated losses on the disposal of capital assets. See Note 17 to the financial statements for further information on extraordinary items.

The following graph shows total revenues by source before extraordinary items:

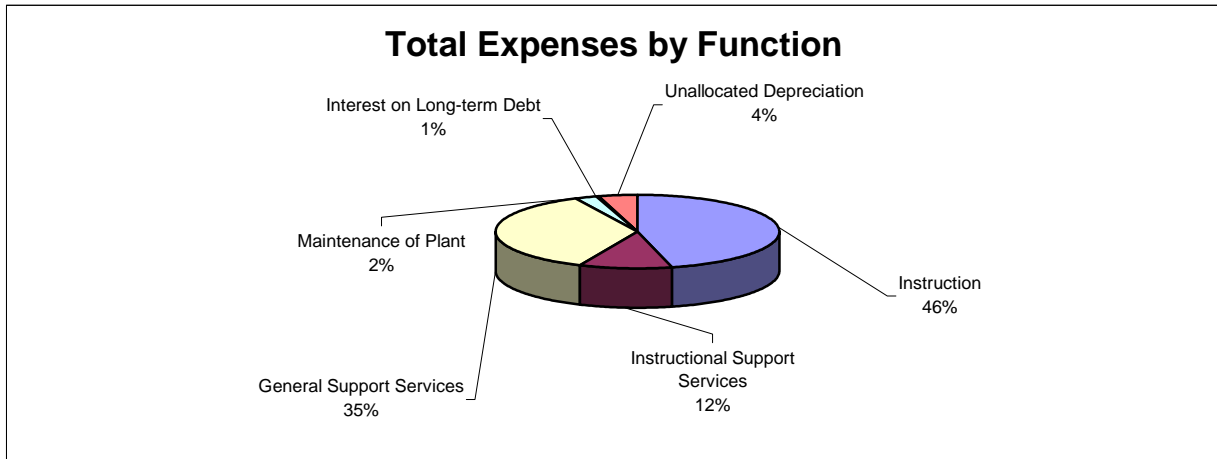


Instructional expenses represent 46 percent of total governmental expenses in the 2005-06 fiscal year. Instructional expenses increased by \$5,686,435.81, or 9 percent, from the previous year due mainly to a 3 to 14 percent pay raise and an increase in the District’s required contributions to the Florida Retirement System.

Expenditures for Food Services had a net increase of \$1,380,049.73, or 29 percent, primarily due to the volume of activity resuming a level similar to prehurricane activity. During the prior fiscal year, many school sites were on split sessions, causing a reduction in meals served.

Operation of plant had a net increase of \$1,987,630.76, or 21 percent, primarily due to the increase in energy costs.

The following graph shows total expenses by function:



### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

#### Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$11,498,623.58 while the total fund balance is \$13,472,985.10. The unreserved fund balance increased by \$3,070,290.44 while the total fund balance increased by \$1,318,287.96 during the fiscal year. Key factors in this growth are as follows:

- A decrease in the local property tax rate coupled with increased property values increased tax revenues by \$4,733,764.28.
- Total expenditures increased by \$10,507,370.28, or 9.4 percent, due mainly to a 3 to 14 percent across-the-board pay increase, employment of additional staff, and an increase in required contributions to the Florida Retirement System.
- Factors affecting total fund balance also include a decrease of \$2,255,357 in the unexpended balance of State categorical program revenues, which are required to be carried forward to the following year to be expended for specific categorical educational programs.

The Special Revenue - Miscellaneous Fund has a total fund balance of \$51,688,267.02 all of which is restricted for the reconstruction and restoration of capital assets and extra expenses associated with hurricane damages caused by Hurricane Charley in August 2004. The Capital Projects - Local Capital Improvement Fund has a total fund balance of \$36,847,344.54, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

#### Proprietary Funds

Unrestricted net assets of the Internal Service Funds total \$2,086,408.82 at June 30, 2006, a decrease of \$281,989.86. This decrease occurred primarily because of the rising cost of maintaining the District's health insurance plan.

### GENERAL FUND BUDGETARY HIGHLIGHTS

In analyzing the budget variances between the original and final budgets, there were no significant variations in revenue or expenditures, other than adjusting for new functions as stipulated by the Florida Department of

Education. The District did not participate in Tax Anticipation Notes this fiscal year, so there was no need for interest expense in the General Fund. Actual revenue variances with the final budget were within acceptable ranges. Expenditures also fell within range, with no significant variations from budget to actual.

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

#### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$171,654,503.53 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

During fiscal year ending June 30, 2006, the following major capital asset events occurred:

- The District, as part of the hurricane recovery process, has demolished all or a major part of three campuses: Peace River Elementary, Neil Armstrong Elementary, and the rest of the totaled buildings at Charlotte High School. These facilities will be replaced using funds from our insurance proceeds, along with help from FEMA and the State of Florida. Additionally, five facilities had major renovations as a result of the hurricane for a total cost of \$8,030,333.
- Under District policy, school buses are to be replaced every ten years. Total cost of new buses for the current year totaled \$614,277.

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

#### **Long-Term Debt**

At June 30, 2006, the District has total long-term debt outstanding of \$11,361,369.45. This amount is comprised entirely of bonds payable. The District did not incur any additional long-term debt during the fiscal year other than the issuance of State School Bonds, Refunding Series 2005B. During the year, retirement of debt amounted to \$7,922,816.37.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

### **OTHER MATTERS OF SIGNIFICANCE**

As mentioned at various times in this report, the District was affected by an active hurricane season during 2004. The impact this will have on the District is ongoing. Assistance from FEMA, the State of Florida, and our own insurance coverage is adequately covering the damages to our structures and replacement of equipment and supplies, as well as setting up modular facilities for our campuses totally destroyed by the storm.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Charlotte County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Charlotte County District School Board, 1445 Education Way, Port Charlotte, Florida 33948-1053.

**EXHIBIT - A  
CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2006**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 153,900.17
Investments	114,034,038.43
Accounts Receivable	73,296.72
Due from Fiscal Agent	7,874.92
Deferred Charges	57,369.45
Due from Other Agencies	1,092,315.64
Inventories	1,170,709.34
Capital Assets:	
Land	7,331,596.34
Construction in Progress	29,057,140.80
Improvements Other Than Buildings, Net	1,395,840.85
Buildings and Fixed Equipment, Net	121,291,675.29
Furniture, Fixtures, and Equipment, Net	8,589,860.33
Motor Vehicles, Net	3,927,975.88
Audio Visual Materials and Computer Software, Net	60,414.04
<b>TOTAL ASSETS</b>	<b>\$ 288,244,008.20</b>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	\$ 770,768.09
Payroll Deductions and Withholdings Payable	679,630.26
Accounts Payable	4,400,314.51
Construction Contracts Payable - Retainage	2,008,170.53
Accrued Interest Payable	173,566.50
Deposits Payable	114,551.25
Long-Term Liabilities:	
Portion Due Within One Year:	
Bonds Payable	3,325,000.00
Compensated Absences Payable	1,111,306.88
Portion Due After One Year:	
Bonds Payable	8,036,369.45
Compensated Absences Payable	8,541,332.05
<b>Total Liabilities</b>	<b>29,161,009.52</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	160,350,503.53
Restricted for:	
State Categorical Programs	594,832.00
Capital Projects	36,847,344.54
Other Purposes	51,705,551.16
Unrestricted	9,584,767.45
<b>Total Net Assets</b>	<b>259,082,998.68</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 288,244,008.20</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, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 70,527,023.15	\$ 671,074.46	\$	\$	\$ (69,855,948.69)
Pupil Personnel Services	8,223,803.02				(8,223,803.02)
Instructional Media Services	2,285,096.32				(2,285,096.32)
Instruction and Curriculum Development Services	5,538,774.20				(5,538,774.20)
Instructional Staff Training Services	1,766,627.97				(1,766,627.97)
Instruction Related Technology	152,134.47				(152,134.47)
Board of Education	540,601.59				(540,601.59)
General Administration	666,203.39				(666,203.39)
School Administration	7,314,245.53				(7,314,245.53)
Facilities Acquisition and Construction				1,481,303.76	1,481,303.76
Fiscal Services	858,841.55				(858,841.55)
Food Services	6,201,556.40	3,623,470.11	3,790,962.05		1,212,875.76
Central Services	18,783,787.06	5,070,951.97			(13,712,835.09)
Pupil Transportation Services	5,860,028.91	91,185.41	3,373,986.00		(2,394,857.50)
Operation of Plant	11,290,102.20				(11,290,102.20)
Maintenance of Plant	3,776,737.51			912,899.00	(2,863,838.51)
Administrative Technology Services	1,121,990.76				(1,121,990.76)
Community Services	538,525.20				(538,525.20)
Interest on Long-Term Debt	586,277.39			603,727.97	17,450.58
Unallocated Depreciation Expenses	6,622,751.36				(6,622,751.36)
<b>Total Governmental Activities</b>	<b>\$ 152,655,107.98</b>	<b>\$ 9,456,681.95</b>	<b>\$ 7,164,948.05</b>	<b>\$ 2,997,930.73</b>	<b>(133,035,547.25)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property Taxes, Levied for Operational Purposes					82,140,096.81
Property Taxes, Levied for Debt Service					3,137,225.05
Property Taxes, Levied for Capital Projects					30,938,390.91
Local Sales Taxes					2,100,000.00
Grants and Contributions Not Restricted to Specific Programs					43,696,697.93
Unrestricted Investment Earnings					4,985,806.19
Miscellaneous					2,212,547.85
Extraordinary Items - Loss Recoveries					15,120,897.93
<b>Total General Revenues and Extraordinary Items</b>					<b>184,331,662.67</b>
<b>Change in Net Assets</b>					<b>51,296,115.42</b>
Net Assets - July 1, 2005					207,786,883.26
<b>Net Assets - June 30, 2006</b>					<b>\$ 259,082,998.68</b>

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

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**EXHIBIT - C  
CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2006**

	General Fund	Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund
<b>ASSETS</b>			
Cash	\$ 151,750.17	\$	\$
Investments	13,793,150.24	52,357,765.51	40,345,037.50
Accounts Receivable, Net	38,116.67		
Due from Other Funds	493,533.97		
Due from Other Agencies	359,349.05		8,154.94
Inventories	873,044.45		
<b>TOTAL ASSETS</b>	<b>\$ 15,708,944.55</b>	<b>\$ 52,357,765.51</b>	<b>\$ 40,353,192.44</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 649,613.88	\$ 5,793.28	\$ 8,996.88
Payroll Deductions and Withholdings Payable	535,402.85	6,915.28	9,573.53
Accounts Payable	1,050,942.72	471,056.67	1,664,840.22
Construction Contracts Payable - Retainage		185,733.26	1,822,437.27
Due to Other Funds			
Deposits Payable			
<b>Total Liabilities</b>	<b>2,235,959.45</b>	<b>669,498.49</b>	<b>3,505,847.90</b>
Fund Balances:			
Reserved for State Categorical Programs	594,832.00		
Reserved for Encumbrances	506,485.07	14,242,935.09	17,888,446.09
Reserved for Inventories	873,044.45		
Reserved for Debt Service			
Reserved for Other Purposes		37,445,331.93	
Unreserved, Reported in:			
General Fund	11,498,623.58		
Special Revenue Funds			
Debt Service Fund			
Capital Projects Funds			18,958,898.45
<b>Total Fund Balances</b>	<b>13,472,985.10</b>	<b>51,688,267.02</b>	<b>36,847,344.54</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,708,944.55</b>	<b>\$ 52,357,765.51</b>	<b>\$ 40,353,192.44</b>

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

**EXHIBIT - C**

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$ 1,850.00	\$ 153,600.17
4,278,461.29	110,774,414.54
1,201.70	39,318.37
	493,533.97
724,811.65	1,092,315.64
<u>297,664.89</u>	<u>1,170,709.34</u>
<u>\$ 5,303,989.53</u>	<u>\$ 113,723,892.03</u>
\$ 100,737.23	\$ 765,141.27
119,445.45	671,337.11
112,352.07	3,299,191.68
	2,008,170.53
459,974.46	459,974.46
<u>47,785.22</u>	<u>47,785.22</u>
<u>840,294.43</u>	<u>7,251,600.27</u>
	594,832.00
6,188.20	32,644,054.45
	873,044.45
145,578.41	145,578.41
17,284.14	37,462,616.07
	11,498,623.58
1,782,516.88	1,782,516.88
2,512,127.47	2,512,127.47
	<u>18,958,898.45</u>
<u>4,463,695.10</u>	<u>106,472,291.76</u>
<u>\$ 5,303,989.53</u>	<u>\$ 113,723,892.03</u>

**EXHIBIT - D  
 CHARLOTTE COUNTY  
 DISTRICT SCHOOL BOARD  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006**

<b>Total Fund Balances - Governmental Funds</b>		\$ 106,472,291.76
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 debt.		57,369.45
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		171,654,503.53
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 amount is the amount of accrued interest payable at year-end.		(173,566.50)
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.		2,086,408.82
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 11,361,369.45	
Compensated Absences Payable	9,652,638.93	(21,014,008.38)
<b>Total Net Assets - Governmental Activities</b>		<b>\$ 259,082,998.68</b>

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

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**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, 2006**

	General Fund	Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 144,651.30	\$	\$
Federal Through State	568,774.83	2,880,751.95	
State	33,275,841.79		113,926.11
Local	<u>85,943,434.75</u>	<u>1,739,051.53</u>	<u>34,715,512.81</u>
<b>Total Revenues</b>	<u>119,932,702.67</u>	<u>4,619,803.48</u>	<u>34,829,438.92</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	71,162,850.10	156,492.96	
Pupil Personnel Services	7,973,511.47	20,147.88	
Instructional Media Services	2,170,499.01	16,976.31	
Instruction and Curriculum Development Services	3,426,791.02	569.77	
Instructional Staff Training Services	1,074,520.75	12,077.10	
Instruction Related Technology	161,668.03		
Board of Education	568,918.72		
General Administration	319,136.32		
School Administration	7,813,646.40		
Facilities Acquisition and Construction		14,317,344.32	6,335,089.47
Fiscal Services	910,201.36	30,081.14	
Food Services		74,573.18	
Central Services	2,767,287.18	372,388.36	
Pupil Transportation Services	6,550,273.75	13.00	
Operation of Plant	11,827,885.69	3,284.64	
Maintenance of Plant	3,954,304.02	2,767,442.07	
Administrative Technology Services	1,194,687.21		
Community Services	554,397.25		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			18,724,287.73
Other Capital Outlay		8,635,750.97	
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<u>122,430,578.28</u>	<u>26,407,141.70</u>	<u>25,059,377.20</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,497,875.61)</u>	<u>(21,787,338.22)</u>	<u>9,770,061.72</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,042,173.15	220,809.54	825,921.34
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payment to Escrow Agent for Refunded Bonds			
Insurance Loss Recoveries	29,320.37		
Transfers Out	<u>(255,329.95)</u>		<u>(3,235,234.25)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>3,816,163.57</u>	<u>220,809.54</u>	<u>(2,409,312.91)</u>
<b>Extraordinary Items</b>			
Loss Recoveries		<u>47,597,295.00</u>	
<b>Net Change in Fund Balances</b>	1,318,287.96	26,030,766.32	7,360,748.81
Fund Balances, July 1, 2005	<u>12,154,697.14</u>	<u>25,657,500.70</u>	<u>29,486,595.73</u>
<b>Fund Balances, June 30, 2006</b>	<u>\$ 13,472,985.10</u>	<u>\$ 51,688,267.02</u>	<u>\$ 36,847,344.54</u>

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



EXHIBIT - E

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$ 2,318,969.31	\$ 2,463,620.61
11,706,578.59	15,156,105.37
3,235,693.63	36,625,461.53
7,013,216.69	129,411,215.78
<u>24,274,458.22</u>	<u>183,656,403.29</u>
5,427,932.81	76,747,275.87
862,928.29	8,856,587.64
62,098.69	2,249,574.01
2,500,520.74	5,927,881.53
716,999.12	1,803,596.97
	161,668.03
	568,918.72
350,032.77	669,169.09
179,729.45	7,993,375.85
45,264.71	20,697,698.50
27,223.63	967,506.13
7,032,539.66	7,107,112.84
4,405.34	3,144,080.88
11,964.77	6,562,251.52
27,935.61	11,859,105.94
	6,721,746.09
	1,194,687.21
	554,397.25
4,046,640.21	22,770,927.94
	8,635,750.97
3,395,000.00	3,395,000.00
<u>571,977.26</u>	<u>571,977.26</u>
<u>25,263,193.06</u>	<u>199,160,290.24</u>
<u>(988,734.84)</u>	<u>(15,503,886.95)</u>
573.52	5,089,477.55
4,180,000.00	4,180,000.00
406,880.31	406,880.31
(4,571,153.35)	(4,571,153.35)
	29,320.37
<u>(1,598,913.35)</u>	<u>(5,089,477.55)</u>
<u>(1,582,612.87)</u>	<u>45,047.33</u>
	<u>47,597,295.00</u>
(2,571,347.71)	32,138,455.38
<u>7,035,042.81</u>	<u>74,333,836.38</u>
<u>\$ 4,463,695.10</u>	<u>\$ 106,472,291.76</u>

**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, 2006**

**Net Change in Fund Balances - Governmental Funds** \$ 32,138,455.38

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	25,537,923.72
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term debt in the statement of net assets.	(4,180,000.00)
Refunded debt is reported as other financing uses in the governmental funds, but decreases long-term liabilities in the statement of net assets.	4,345,000.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets.	3,395,000.00
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.	(235,000.00)
The undepreciated cost 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.	(8,875,499.47)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(587,747.26)
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.	39,972.91
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.	(281,989.86)

**Change in Net Assets - Governmental Activities** \$ 51,296,115.42

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, 2006**

		Governmental Activities - Internal Service Funds
<hr/>		
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	8,174.92
Investments		3,259,623.89
Other Receivables		418.84
		<hr/>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>3,268,217.65</b>
		<hr/> <hr/>
<b>LIABILITIES</b>		
Current Liabilities:		
Salaries and Benefits Payable	\$	13,919.97
Accounts Payable		1,101,122.83
Deposits Payable		66,766.03
		<hr/>
<b>Total Liabilities</b>		<b>1,181,808.83</b>
		<hr/> <hr/>
<b>NET ASSETS</b>		
Unrestricted		2,086,408.82
		<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>3,268,217.65</b>
		<hr/> <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, 2006**

		Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services	\$	382,135.24
Charges for Sales		32,431.93
Premium Revenues		15,626,155.62
<b>Total Operating Revenues</b>		<b>16,040,722.79</b>
<b>OPERATING EXPENSES</b>		
Salaries		289,436.48
Employee Benefits		97,461.60
Purchased Services		15,918,880.55
Energy Services		8,546.26
Materials and Supplies		42,441.98
Capital Outlay		14,669.00
Other Expenses		391.00
<b>Total Operating Expenses</b>		<b>16,371,826.87</b>
<b>Operating Loss</b>		<b>(331,104.08)</b>
<b>NONOPERATING REVENUE</b>		
Interest		49,114.22
<b>Change in Net Assets</b>		<b>(281,989.86)</b>
Total Net Assets, July 1, 2005		2,368,398.68
<b>Total Net Assets, June 30, 2006</b>	<b>\$</b>	<b>2,086,408.82</b>

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, 2006**

	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Board Funds and Participants	\$ 16,044,880.14
Cash Payments to Suppliers for Goods and Services	(15,194,614.47)
Cash Payments to Employees for Services	(386,276.40)
	463,989.27
<b>Net Cash Provided by Operating Activities</b>	<b>463,989.27</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(15,895,731.99)
Proceeds from Disposition of Investments	15,382,891.74
Interest Income	49,114.22
	(463,726.03)
<b>Net Cash Used by Investing Activities</b>	<b>(463,726.03)</b>
<b>Net Increase in Cash</b>	263.24
Cash, Beginning	7,911.68
<b>Cash, Ending</b>	<b>\$ 8,174.92</b>
 <b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	
Operating Loss	\$ (331,104.08)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(418.84)
Decrease in Due from Other Agencies	210.92
Decrease in Salaries and Benefits Payable	(95.40)
Increase in Payroll Deductions and Withholdings Payable	717.08
Increase in Accounts Payable	790,314.32
Increase in Deposits Payable	4,365.27
	795,093.35
<b>Total Adjustments</b>	<b>795,093.35</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 463,989.27</b>

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

**EXHIBIT - J**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**FIDUCIARY FUNDS**  
**June 30, 2006**

	Agency Funds
<b>ASSETS</b>	
Cash	\$ 2,162,210.37
	2,162,210.37
<b>LIABILITIES</b>	
Due to Other Funds	\$ 33,559.51
Internal Accounts Payable	2,128,650.86
	2,162,210.37
<b>TOTAL LIABILITIES</b>	\$ 2,162,210.37

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, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The 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 primary government and its component units.

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

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

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

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

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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.
- Special Revenue – Miscellaneous Fund – to account for the financial resources generated by insurance proceeds, Disaster Grants, and State reimbursements as a result of the damage caused by Hurricane Charley in August of 2004 to be used for recovering damaged materials, supplies, equipment, and buildings.
- 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 and renovation and remodeling projects.

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

- Internal Service Funds – to account for the District's employee benefits program and to account for the financing of the Special Projects Center Consortium for which the District is the 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



**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums and charges for sales and services. Operating expenses include the cost of insurance premiums for the payment of claims and the cost of providing products or services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost using the 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.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

➤ **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.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds payable are reported net of the applicable bond premium or discount. The applicable premium or discount and the difference between the reacquisition price and the net carrying amount of refunded debt are reported as part of the bond liability. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

➤ **State Revenue Sources**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms For Kids Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2005 tax levy on September 8, 2005. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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.

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**3. INVESTMENTS**

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

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

Investment	Maturities	Fair Value
Columbia Treasury Reserve Money Market Fund	53 Day Average	\$ 7,571,594.41
State Board of Administration Local Government Surplus Funds - Trust Funds Investment Pool	27 Day Average	106,316,865.61
State Board of Administration Debt Service Accounts	6 Months	<u>145,578.41</u>
Total Investments		<u>\$ 114,034,038.43</u>

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to:
  - A. Local Government Surplus Funds Trust Funds or any intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statutes.
  - B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
  - C. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statute.
  - D. Direct obligations of the United States Treasury.
  - E. Federal agencies and instrumentalities.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

- F. Securities of, or other interest in, any open-end or closed-end management-type investment company or investment trust registered under Federal law, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States government of any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
  - As of June 30, 2006, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
  - The District's investment in the Columbia Treasury Reserve Money Market Fund is rated Aaa by Moody's Investor Services and AAAm by Standard & Poor's Investor Services.

**4. 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, 2006**

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 7,269,946.34	\$ 61,650.00	\$	\$ 7,331,596.34
Construction in Progress	9,249,243.15	27,848,844.94	8,040,947.29	29,057,140.80
Total Capital Assets Not Being Depreciated	<u>16,519,189.49</u>	<u>27,910,494.94</u>	<u>8,040,947.29</u>	<u>36,388,737.14</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,854,927.74	262,980.61	2,397,543.50	4,720,364.85
Buildings and Fixed Equipment	166,277,936.29	8,040,947.29	12,483,874.29	161,835,009.29
Furniture, Fixtures, and Equipment	23,015,865.17	3,141,333.53	2,722,101.80	23,435,096.90
Motor Vehicles	9,652,534.19	843,917.00	192,324.86	10,304,126.33
Audio Visual Materials and Computer Software	1,380,586.90	1,949.00	106,226.93	1,276,308.97
Total Capital Assets Being Depreciated	<u>207,181,850.29</u>	<u>12,291,127.43</u>	<u>17,902,071.38</u>	<u>201,570,906.34</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,456,178.00	189,408.00	1,321,062.00	3,324,524.00
Buildings and Fixed Equipment	42,486,701.00	3,229,374.00	5,172,741.00	40,543,334.00
Furniture, Fixtures, and Equipment	14,781,265.46	2,298,188.23	2,234,217.12	14,845,236.57
Motor Vehicles	5,747,747.85	820,727.46	192,324.86	6,376,150.45
Audio Visual Materials and Computer Software	1,237,068.19	85,053.67	106,226.93	1,215,894.93
Total Accumulated Depreciation	<u>68,708,960.50</u>	<u>6,622,751.36</u>	<u>9,026,571.91</u>	<u>66,305,139.95</u>
Total Capital Assets Being Depreciated, Net	<u>138,472,889.79</u>	<u>5,668,376.07</u>	<u>8,875,499.47</u>	<u>135,265,766.39</u>
Governmental Activities Capital Assets, Net	<u>\$ 154,992,079.28</u>	<u>\$ 33,578,871.01</u>	<u>\$ 16,916,446.76</u>	<u>\$ 171,654,503.53</u>

The District's capital assets serve several functions; accordingly, depreciation expenses, which total \$6,622,751.36, are not charged to functions but are shown as unallocated on the statement of activities.

**5. BONDS PAYABLE**

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

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A	\$ 595,000.00	4.5	2008
Series 1999A	485,000.00	4.00 - 4.75	2019
Series 2005B, Refunding	4,160,000.00	5.0	2018
District General Obligation Bonds:			
Series 2003, Refunding	<u>6,045,000.00</u>	2.0 - 2.5	2008
Subtotal	11,285,000.00		
Add: Unamortized Premium on Debt	401,558.49		
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(325,189.04)</u>		
Total Bonds Payable	<u><u>\$ 11,361,369.45</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. 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 General Obligation Bonds**

General Obligation Refunding Bonds, Series 2003, were issued pursuant to a resolution of the District School Board adopted January 14, 2003, 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. 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, 2006, are as follows:



**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2007	\$ 591,350.00	\$ 335,000.00	\$ 256,350.00
2008	596,500.00	355,000.00	241,500.00
2009	590,775.00	365,000.00	225,775.00
2010	587,919.00	380,000.00	207,919.00
2011	584,200.00	395,000.00	189,200.00
2012-2016	2,926,637.50	2,295,000.00	631,637.50
2017-2020	<u>1,200,875.00</u>	<u>1,115,000.00</u>	<u>85,875.00</u>
Subtotal	7,078,256.50	5,240,000.00	1,838,256.50
Add: Unamortized Premium on Debt	379,754.96	379,754.96	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(211,076.46)</u>	<u>(211,076.46)</u>	
Total State School Bonds	<u>7,246,935.00</u>	<u>5,408,678.50</u>	<u>1,838,256.50</u>
<b>General Obligation Bonds:</b>			
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	6,257,550.00	6,045,000.00	212,550.00
Add: Unamortized Premium on Debt	21,803.53	21,803.53	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(114,112.58)</u>	<u>(114,112.58)</u>	
Total General Obligation Bonds	<u>6,165,240.95</u>	<u>5,952,690.95</u>	<u>212,550.00</u>
Total	<u>\$13,412,175.95</u>	<u>\$11,361,369.45</u>	<u>\$2,050,806.50</u>

**6. DEFEASED DEBT**

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2005B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance-refund callable portions of the District's State School Bonds, Series 1998A. The Refunding Bonds are being issued to advance-refund the \$4,345,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

The District's pro rata share of net proceeds totaling \$4,571,153.35 (after deduction of \$15,726.96 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result, State School Bonds, Series 1998A, totaling \$4,345,000, are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2005B bonds were issued to reduce the total debt service payments over the next 13 years by approximately \$301,610.72 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$249,686.

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

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable, Net	\$14,697,305.51	\$4,586,880.31	\$7,922,816.37	\$11,361,369.45	\$3,325,000.00
Compensated Absences Payable	9,064,891.67	2,082,806.62	1,495,059.36	9,652,638.93	1,111,306.88
<b>Total Governmental Activities</b>	<b>\$23,762,197.18</b>	<b>\$6,669,686.93</b>	<b>\$9,417,875.73</b>	<b>\$21,014,008.38</b>	<b>\$4,436,306.88</b>

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

**8. RESERVE FOR ENCUMBRANCES**

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

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

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 493,533.97	\$
Nonmajor Governmental Agency		459,974.46
		<u>33,559.51</u>
Total	<u>\$ 493,533.97</u>	<u>\$ 493,533.97</u>

Interfund receivables and payable 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. The moneys loaned by the General Fund to the Nonmajor Governmental Funds and the Agency Funds will be repaid within the 2005-06 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	\$ 4,042,173.15	\$ 255,329.95
Special Revenue - Miscellaneous	220,809.54	
Capital Projects - Local Capital Improvement Fund	825,921.34	3,235,234.25
Nonmajor Governmental	<u>573.52</u>	<u>1,598,913.35</u>
Total	<u>\$ 5,089,477.55</u>	<u>\$ 5,089,477.55</u>

Transfers in to the General Fund were to finance various District maintenance projects and equipment purchases. The transfer in to the Special Revenue – Miscellaneous Fund from Nonmajor Governmental Funds were for hurricane repairs. The transfer out of the General Fund was to finance the local non-Federal share of grant expenditures.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**10. SCHEDULE OF STATE REVENUE SOURCES**

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

<u>Source</u>	<u>Amount</u>
Categorical Educational Programs:	
Class Size Reduction	\$ 9,328,418.00
Transportation	3,373,986.00
Instructional Materials	1,532,751.00
School Recognition Funds	1,370,614.00
Discretionary Lottery Funds	804,760.00
Excellent Teaching Program	345,703.68
Public School Technology	329,280.00
Voluntary Pre-K Program	239,986.09
Teacher Training	119,310.00
Florida Teachers Lead Program	115,969.00
Florida Education Finance Program	8,126,056.00
Hurricane Relief Funds	3,465,040.61
Workforce Development Program	2,962,897.00
Gross Receipts Tax (Public Education Capital Outlay)	2,080,574.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	704,228.00
Classrooms for Kids Program	199,264.00
Miscellaneous	<u>1,526,624.15</u>
 Total	 <u><u>\$ 36,625,461.53</u></u>

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

**11. PROPERTY TAXES**

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

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>GENERAL FUND</u></b>		
Nonvoted School Tax:		
Required Local Effort	4.686	\$ 75,553,106
Basic Discretionary Local Effort	0.510	8,226,631
Supplemental Discretionary Local Effort	0.113	1,818,095
<b><u>DEBT SERVICE FUNDS</u></b>		
Voted Tax:		
Special Tax School District No. 1	0.200	3,224,631
<b><u>CAPITAL PROJECTS FUNDS</u></b>		
Nonvoted Tax:		
Local Capital Improvements	2.000	32,246,311
Total	7.509	\$121,068,774.00

**12. STATE RETIREMENT PROGRAM**

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

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

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**Funding Policy.** The contribution rates for members are established, and may be amended, by the State of Florida. During the 2005-06 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	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$5,611,716.49, \$5,682,053.96, and \$6,741,417.85, 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, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 375 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$742,850.53.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

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

**13. 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 IV, Building B:			
Architect	\$ 315,000.00	\$ 315,000.00	\$
Contractor	4,167,926.14	3,793,085.10	374,841.04
Port Charlotte High School - Multipurpose Gymnasium:			
Contractor	2,384,547.93	1,446,218.80	938,329.13
Lemon Bay High School:			
Contractor	2,315,261.00	1,717,907.66	597,353.34
Charlotte Technical Center:			
Architect	1,210,850.00	1,038,931.47	171,918.53
Contractor	18,489,224.65	11,199,850.59	7,289,374.06
Baker Center:			
Architect	307,500.00	95,325.00	212,175.00
Charlotte High School:			
Architect	2,682,908.00	100,609.00	2,582,299.00
East Elementary School:			
Architect	650,000.00	341,250.00	308,750.00
Neil Armstrong Elementary School:			
Architect	500,000.00	262,500.00	237,500.00
Peace River Elementary School:			
Architect	575,000.00	301,875.00	273,125.00
Punta Gorda Middle School:			
Architect	1,192,032.00	459,603.00	732,429.00
Total	<u>\$ 34,790,249.72</u>	<u>\$ 21,072,155.62</u>	<u>\$ 13,718,094.10</u>

**14. 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.

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

The District is also a member of the Small School District Council Consortium, a consortium organized to provide services related to educational information, interpretation, and consultation.

**15. 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 Risk Management Consortium (SCERMP), a 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 SCERMP. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. SCERMP is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for SCERMP is composed of superintendents of all participating districts. Employer's Mutual, Inc., serves as fiscal agent for SCERMP.

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multidistrict cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The School Board makes an annual contribution to the group for its property and casualty coverage. The interlocal agreement and bylaws of the property and casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a contribution deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board. In addition, it is the property and casualty group's policy to carry excess coverage through commercial insurance carriers for workers' compensation and property loss claims in excess of \$1,000,000 and \$2,500,000, respectively. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.



**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

The District's health and hospitalization insurance program is administered by an insurance carrier under a minimum premium plan agreement. The insurance carrier invoices the District monthly for the minimum premium due under the agreement to pay claims submitted by District employees and dependents. The District deposits amounts withheld from the employees and amounts contributed by the Board into the Employee Benefits Program Internal Service Fund to pay premiums due and any additional premium liabilities.

A liability in the amount of \$1,096,224 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, 2005, through December 31, 2005.

**16. INTERNAL SERVICE FUNDS**

The following is a summary of financial information as reported in the Internal Service Funds for the 2005-06 fiscal year:

	Total	Employee Benefit Program	Special Projects Center
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	\$ 3,268,217.65	\$ 3,151,354.65	\$ 116,863.00
Liabilities and Net Assets:			
Accounts Payable	\$ 1,101,122.83	\$ 1,099,384.00	\$ 1,738.83
Salaries, Benefits and Payroll			
Taxes Payable	5,626.82	1,298.35	4,328.47
Payroll Deductions and			
Withholdings Payable	8,293.15	2,442.21	5,850.94
Deposits Payable	66,766.03	66,766.03	
Unrestricted Net Assets	<u>2,086,408.82</u>	<u>1,981,464.06</u>	<u>104,944.76</u>
Total Liabilities and Net Assets	<u>\$ 3,268,217.65</u>	<u>\$ 3,151,354.65</u>	<u>\$ 116,863.00</u>
Revenues:			
Premium Contributions	\$ 15,626,155.62	\$ 15,626,155.62	\$
Charges for Services	382,135.24		382,135.24
Charges for Sales	32,431.93		32,431.93
Interest Income	<u>49,114.22</u>	<u>38,637.87</u>	<u>10,476.35</u>
Total Revenues	16,089,837.01	15,664,793.49	425,043.52
Total Expenses	<u>(16,371,826.87)</u>	<u>(15,989,509.44)</u>	<u>(382,317.43)</u>
Change in Net Assets	<u>\$ (281,989.86)</u>	<u>\$ (324,715.95)</u>	<u>\$ 42,726.09</u>

**EXHIBIT – K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**17. EXTRAORDINARY ITEMS**

The following is a summary of financial information as reported in the Statement of Activities for the 2005-06 fiscal year:

Extraordinary Items:	
Insurance Proceeds Received	<u>\$47,597,295.00</u>
Expenditures for Replacements	(23,600,897.64)
Loss on depreciated property	<u>(8,875,499.43)</u>
	<u><u>(32,476,397.07)</u></u>
Total Extraordinary Items - Loss Recoveries	<u><u>\$15,120,897.93</u></u>

**18. SUBSEQUENT EVENTS**

The District entered into a financing agreement dated November 27, 2006, under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB Program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). The District received financing of \$5,000,000 from a local bank on November 30, 2006. Interest on the debt is paid by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of sale.

Repayment of the original \$5,000,000 financing proceeds is due in full on November 27, 2022. In connection with the financing, the District entered into a forward delivery agreement dated November 27, 2006, requiring annual deposits of \$242,708.40 (beginning November 27, 2007) into a sinking fund. The forward delivery agreement provides for a guaranteed return of 3.25 percent per annum whereby the required deposits, along with accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures.

The financing proceeds were designated for technology upgrades/replacements, computers – laptops, and instructional equipment/materials, at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbour Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School.

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**EXHIBIT - L**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2006**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 140,000.00	\$ 146,000.00	\$ 144,651.30	\$ (1,348.70)
Federal Through State	400,000.00	537,161.00	568,774.83	31,613.83
State	32,049,427.00	32,912,796.00	33,275,841.79	363,045.79
Local	84,236,072.00	84,751,326.00	85,943,434.75	1,192,108.75
<b>Total Revenues</b>	<b>116,825,499.00</b>	<b>118,347,283.00</b>	<b>119,932,702.67</b>	<b>1,585,419.67</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	69,511,584.00	74,107,435.00	71,162,850.10	2,944,584.90
Pupil Personnel Services	7,647,396.00	8,091,280.00	7,973,511.47	117,768.53
Instructional Media Services	2,106,051.00	2,220,012.00	2,170,499.01	49,512.99
Instruction and Curriculum Development Services	3,418,621.00	3,576,107.00	3,426,791.02	149,315.98
Instructional Staff Training Services	1,264,213.00	1,252,461.00	1,074,520.75	177,940.25
Instructional Related Technology		170,315.00	161,668.03	8,646.97
Board of Education	530,041.00	588,053.00	568,918.72	19,134.28
General Administration	312,936.00	318,696.00	319,136.32	(440.32)
School Administration	7,263,926.00	7,986,974.00	7,813,646.40	173,327.60
Facilities Acquisition and Construction				
Fiscal Services	967,412.00	968,848.00	910,201.36	58,646.64
Food Services				
Central Services	3,775,626.00	2,889,987.00	2,767,287.18	122,699.82
Pupil Transportation Services	6,384,423.00	6,631,709.00	6,550,273.75	81,435.25
Operation of Plant	11,027,965.00	12,407,180.00	11,827,885.69	579,294.31
Maintenance of Plant	3,642,353.00	4,175,674.00	3,954,304.02	221,369.98
Administrative Technology Services		1,276,720.00	1,194,687.21	82,032.79
Community Services	549,767.00	634,753.00	554,397.25	80,355.75
Fixed Capital Outlay:				
Other Capital Outlay				
Debt Service:				
Interest and Fiscal Charges	300,000.00			
<b>Total Expenditures</b>	<b>118,702,314.00</b>	<b>127,296,204.00</b>	<b>122,430,578.28</b>	<b>4,865,625.72</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(1,876,815.00)</b>	<b>(8,948,921.00)</b>	<b>(2,497,875.61)</b>	<b>6,451,045.39</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,742,000.00	4,042,174.00	4,042,173.15	(0.85)
Insurance Loss Recoveries		20,268.00	29,320.37	9,052.37
Transfers Out	(357,942.00)	(357,942.00)	(255,329.95)	102,612.05
<b>Total Other Financing Sources (Uses)</b>	<b>3,384,058.00</b>	<b>3,704,500.00</b>	<b>3,816,163.57</b>	<b>111,663.57</b>
<b>Extraordinary Items</b>				
Loss Recoveries				
<b>Net Change in Fund Balances</b>	<b>1,507,243.00</b>	<b>(5,244,421.00)</b>	<b>1,318,287.96</b>	<b>6,562,708.96</b>
Fund Balances, July 1, 2005	12,123,244.00	12,123,244.00	12,154,697.14	31,453.14
<b>Fund Balances, June 30, 2006</b>	<b>\$ 13,630,487.00</b>	<b>\$ 6,878,823.00</b>	<b>\$ 13,472,985.10</b>	<b>\$ 6,594,162.10</b>

**EXHIBIT - L**

Special Revenue - Miscellaneous Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,500,000.00	\$ 2,500,000.00	\$ 2,880,751.95	\$ 380,751.95
<u>85,000,000.00</u>		<u>1,739,051.53</u>	<u>1,739,051.53</u>
<u>87,500,000.00</u>	<u>2,500,000.00</u>	<u>4,619,803.48</u>	<u>2,119,803.48</u>
	156,493.03	156,492.96	0.07
	20,148.16	20,147.88	0.28
	16,976.04	16,976.31	(0.27)
	569.30	569.77	(0.47)
	12,077.00	12,077.10	(0.10)
	0.48		0.48
113,351,916.00	101,262,118.17	14,317,344.32	86,944,773.85
	30,081.00	30,081.14	(0.14)
	74,573.00	74,573.18	(0.18)
	372,388.79	372,388.36	0.43
	13.00	13.00	
	3,285.06	3,284.64	0.42
	2,767,442.00	2,767,442.07	(0.07)
	8,635,750.97	8,635,750.97	
<u>113,351,916.00</u>	<u>113,351,916.00</u>	<u>26,407,141.70</u>	<u>86,944,774.30</u>
<u>(25,851,916.00)</u>	<u>(110,851,916.00)</u>	<u>(21,787,338.22)</u>	<u>89,064,577.78</u>
	114,849.00	220,809.54	105,960.54
	114,849.00	220,809.54	105,960.54
	85,000,000.00	47,597,295.00	(37,402,705.00)
(25,851,916.00)	(25,737,067.00)	26,030,766.32	51,767,833.32
25,851,916.00	25,851,916.00	25,657,500.70	(194,415.30)
<u>\$ 0.00</u>	<u>\$ 114,849.00</u>	<u>\$ 51,688,267.02</u>	<u>\$ 51,573,418.02</u>

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**FEDERAL REPORTS AND SCHEDULES**

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

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

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of the governmental activities, 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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Charlotte County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

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

We noted certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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 9, 2007





WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534  
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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 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 (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2006. 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 *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

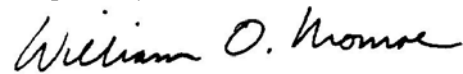
***Internal Control Over Compliance***

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

This report is intended 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 9, 2007

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	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	\$ 307,009.53
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	616,983.40
National School Lunch Program	10.555	300	2,608,679.12
Summer Food Service Program for Children	10.559	323	161,564.00
<b>Total Child Nutrition Cluster</b>			<u>3,387,226.52</u>
<b>Total United States Department of Agriculture</b>			<u>3,694,236.05</u>
<b>Federal Mediation and Conciliation Service:</b>			
Direct:			
Labor Management Cooperation	34.002	N/A	5,735.15
<b>United States Environmental Protection Agency:</b>			
Direct:			
Environmental Education Grants	66.951	N/A	18,932.62
<b>United States Department of Education:</b>			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	6,204.00
Federal Work-Study Program	84.033	N/A	349.61
Federal Pell Grant Program	84.063	N/A	131,446.00
<b>Total Student Financial Assistance Cluster</b>			<u>137,999.61</u>
Fund for the Improvement of Education	84.215	N/A	2,623.00
<b>Total Direct</b>			<u>140,622.61</u>
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263, 261	3,667,192.60
Special Education - Preschool Grants	84.173	267	116,824.92
<b>Total Special Education Cluster</b>			<u>3,784,017.52</u>
Adult Education - State Grant Program	84.002	191	364,315.93
Title I Grants to Local Educational Agencies	84.010	212	2,302,308.20
Vocational Education - Basic Grants to States	84.048	151	240,690.72
Safe and Drug-Free Schools and Communities - National Programs	84.184	107	63,722.71
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	76,423.74
Education for Homeless Children and Youth	84.196	127	77,398.63
Even Start - State Educational Agencies	84.213	219	186,874.47
Education Technology State Grants	84.318	121	36,978.00
English Language Acquisition Grants	84.365	102	35,634.91
Improving Teacher Quality State Grants	84.367	224	796,749.57
Hurricane Education Recovery	84.938	None	35,774.71
<b>Total Indirect</b>			<u>8,000,889.11</u>
<b>Total United States Department of Education</b>			<u>8,141,511.72</u>
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600(3)	N/A	2,246,987.35
<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	903.92
<b>Department of Homeland Security:</b>			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	234	2,880,751.95
Florida Department of Education:			
Homeland Security Grant Program	97.067	None	46,324.22
Florida Department of Law Enforcement:			
Homeland Security Grant Program	97.067	None	45,264.71
<b>Total Department of Homeland Security</b>			<u>2,972,340.88</u>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	144,651.30
<b>Total Expenditures of Federal Awards</b>			<u>\$ 17,225,298.99</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2005-06 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 received during the 2005-06 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) Head Start. For grant number/program year 04CH3161/39, expenditures include Head Start projects PA-22, \$ 547,153.12 and PA-20, \$10,348.61 and Early Head Start projects PA-25, \$179,938.06 and PA-11, \$1,965.83. For grant number/program year 04CH3161/40, expenditures include Head Start projects PA-22, \$1,096,030.09 and PA-20, \$9,979.07 and Early Head Start projects PA-25, \$397,586.59 and PA-11, \$3,985.98.

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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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, 2006:

- An unqualified opinion was issued on the financial statements.
- No matters involving the internal control and its operation were considered to be reportable conditions.
- 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 reported.
- 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 (CFDA No. 10.559)] and Head Start (CFDA No. 93.600).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$516,758.97.
- The low risk entity threshold was applied.

**FINDINGS AND RECOMMENDATIONS**

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

*CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2006*

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
2006-144		No prior Federal audit findings.		

## MANAGEMENT RESPONSE

David E. Gayler, Ph.D.  
Superintendent

March 5, 2007

William O. Monroe, CPA  
Auditor General  
111 West Madison Street  
Tallahassee, Florida 32302

Dear Mr. Monroe:

This letter is in response of the preliminary and tentative audit findings and recommendations for the Charlotte County District School Board for the Fiscal Year Ended June 30, 2006. Our written response as required by Section 11.45(7)(d), Florida Statute, will address how corrective actions have been taken:

**1.) Information Technology - User Account Management**

Beginning March 1, 2007 the Information and Communication Systems (ICS) Department of Charlotte County Pubic Schools will begin an electronic process for making inactive Bi-tech and SASI user accounts upon termination of employment from the District.

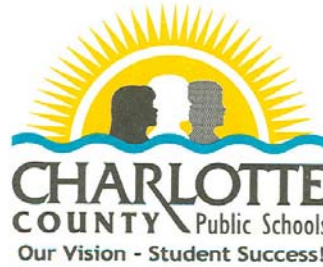
Formerly, inactivation of Bi-tech and SASI accounts were handled by the Director of ICS upon receipt of email notifications from HR of employee's termination from the District. This process has proven difficult to audit since emails are difficult to verify receipt of and appropriate action taken upon receipt. Therefore, a more time-sensitive and auditable method needs to be developed.

The new process will be electronic and will process nightly; no human intervention will be necessary for processing to take place.

During the Inactivation Account Process (as ICS has named), the termination date and termination code within the Bi-tech HR system will be evaluated for each employee of the district. If the termination date is equal to or less than the processing date and the termination code is not an "X" (which means the employee is on leave, and no action is taken) the process will evaluate if the employee currently has a Bi-tech and/or SASI user accounts. If the employee does have an account in Bi-tech a "NONE" comment is placed in two fields - the time for operations field (this field designates the time period the user may be active on Bi-tech accounts - typically 7:00 a.m. to 4:30 p.m.) and the user's password field. This process renders the user's Bi-tech account inoperable. The process then evaluates all School's SASI systems for the terminated employee, and if discovered, renders the user's SASI account inactive at each and every site.

School Board

Andrea Messina, *Chairman*  
Lee Swift, *Vice Chairman*  
Alleen Miller  
Barbara Rendell  
Sue Sifrit



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**MANAGEMENT RESPONSE (CONTINUED)**

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Page 2

The process will save to disk nightly all employee names, IDs, termination dates, system processing dates and records of inactivation of Bi-tech and/or SASI accounts. Reports will be made available, updated nightly, for other departments which may need this data.

The ICS Department believes this will solve the problem of inefficiency and no audit trail in employee terminations by doing it via an electronic process and generating reportable and auditable formats on a daily bases. The Inactivation Account Process is expandable and could possibly be used to include others systems such as email and Novell accounts. No such efforts have been made at this point to include those applications accounts

**2.) Fingerprinting Requirements**

The District shall enhance its personnel procedures to ensure that required fingerprinting and background checks are performed for noninstructional and instructional personnel, in a timely manner. The district is aware of the statute requiring the fingerprinting to be completed by July 1, 2009. The district is also aware of the recommendation from the FDOE that approximately 20 percent of the staff be fingerprinted.

CCPS completed the negotiation process with the CFEA. The parties agreed that teachers would be refingerprinted as they apply for certification; we began the process at the beginning of the 2006-07 school year.

During the 2005-06 school year, additional staff were hired to conduct the refingerprinting. A portable fingerprint machine was also purchased to facilitate the process.

During the period of 2005-07, we have been extremely busy fingerprinting contractors/vendors as required by the Jessica Lunsford Act. There has been, and will continue to be, massive rebuilding in our district as we continue our efforts to rebuild the schools destroyed by Hurricane Charley. The fingerprinting of contractors/vendors was placed as a top priority last year.

We have used our experiences with conducting the background checks of the contractors/vendors as well as the limited number of background checks of teachers renewing their certificates to set up reports to track refingerprinting to ensure that all affected employees will be fingerprinted within the deadline.

CCPS will be negotiating with the support staff union (CCSPA) during this spring to develop the process to be used to refingerprint the support staff.

CCPS will begin the refingerprinting of the confidential, managerial, supervisory, professional, and administrative personnel this spring.

We have discussed with the auditor, the feasibility of having all district employees hired prior to July 1, 2004, refingerprinted prior to the deadline of July 1, 2009, and shall conduct the required background checks prior to that deadline.



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**MANAGEMENT RESPONSE (CONTINUED)**

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Page 3

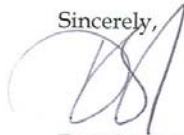
**3.) Written Policies and Procedures - Charlotte Performing Arts Center**

The District will review with the auditor their specific concerns for contracting for performances and invoicing promoters at the Center and make appropriate changes to procedures. The Center and District Finance Office have established procedures for reconciling daily box office reports and other cash receipts to bank statements and accounting reports. These procedures will be fully implemented before the fiscal year end.

**4.) Architect Professional Liability Insurance**

The district has initiated the process of developing a policy that would codify the professional liability insurance requirements of the architects that we engage to design our projects. In conjunction with the school board a policy has been developed and is scheduled for a public hearing on March 13, 2007. We anticipate that the policy will be formally adopted by the school board at that meeting.

Sincerely,



David E. Gayler  
Superintendent