



AUDITOR GENERAL
DAVID W. MARTIN, CPA



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

For the Fiscal Year Ended June 30, 2007

Charlotte County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Lee Swift, Vice-Chair from 11-21-06</i>	<i>1</i>
<i>Alleen Miller</i>	<i>2</i>
<i>Andrea Messina, Vice-Chair to 11-20-06, Chair from 11-21-06</i>	<i>3</i>
<i>Sue Sifrit, Chair to 11-20-06</i>	<i>4</i>
<i>Barbara Rendell</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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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.

Finding No. 2: Fingerprinting and Background Checks

The District did not follow the Florida Department of Education guidance regarding procedures for background screenings of noninstructional employees.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education 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. However, we did note a compliance finding that is summarized below.

Federal Awards Finding No. 1: Suspension and Debarment

Improvements were needed in District procedures for ensuring that contractors and subcontractors for Federal projects were not suspended or debarred.

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. 2007-153.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2007. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

This audit was conducted by Richard T. Lockhart, CPA, and supervised by Cathi M. Davis, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

FINDINGS AND RECOMMENDATIONS

Additional Matters

Finding No. 1: Information Technology – User Account Management

Access to information technology resources, such as the 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. To provide management with the assurance that proper access controls to information technology resources for terminated employees 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 and when the employee's access was removed from the computer system.

District records indicated that 441 employees terminated employment during the 2006-07 fiscal year. Our test of ten employees who had terminated employment disclosed eight who continued, as of June 30, 2007, to have update capability to District records although their termination dates were one to seven months prior to June 30, 2007. 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. District records indicate that, as of September 2007, the District has implemented a new computer program which automatically removes a terminated employee's computer access from some of the system and applications software, such as the Bi-Tech, SASI, First Class, and Novell applications.

Recommendation: The District should continue its efforts to ensure the timely removal of access privileges for terminated employees in order to minimize the risk of compromising the District's data and information resources.

Finding No. 2: Fingerprinting and Background Checks

Section 1012.465(1), Florida Statutes, requires that noninstructional school district employees undergo a background screening, including a requirement that such individuals file a complete set of fingerprints. Further, Section 1012.465(2), Florida Statutes, provides, in part, that every 5 years following employment, these individuals 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 obtain background screenings 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 did not establish an adequate process during the 2006-07 fiscal year for performing the required background screenings for noninstructional personnel. Our review disclosed that the District had conducted required screenings for 45 of 998 (5 percent) noninstructional personnel during the 2006-07 fiscal year. We were

informed by District personnel that the District began fingerprinting the confidential, managerial, and administrative employees in June 2007. The estimated date the District will begin fingerprinting the school support employees is August 1, 2007. A similar finding was noted in our audit report No. 2007-153.

Recommendation: The District should continue its efforts to ensure that required fingerprinting and background checks are performed for noninstructional staff on a timely basis.

Auditor's Clarification:

The District indicates in its response that it intends to meet the statutory requirements for background screenings by July 1, 2009, notwithstanding that its plan to fingerprint noninstructional staff does not follow the directives provided by the Florida Department of Education (FDOE) and, as disclosed in our comment, that only 5 percent of its noninstructional staff had background screenings during the 2006-07 fiscal year. The point of our finding is that when background screenings are performed the risk is decreased that an employee with an unacceptable background may be allowed contact with students.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2007-153.

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 is included in the Management Response Section of this report beginning on page 62.

FINANCIAL SECTION

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

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

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

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

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

EXHIBIT – G *Statement of 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.*



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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, the discretely presented component unit, 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, 2007, which collectively comprise the District's basic financial statements as listed on page 3. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 13 percent of the assets and 41 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Charlotte Local Education Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and discretely presented component unit, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds and the Charlotte Local Education Foundation, Inc., 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 reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Charlotte County District School Board as of June 30, 2007, 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 6 through 14) 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,



David W. Martin, CPA

March 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007. 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 15 through 48.

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$68,083,008.65, which represents a 26 percent increase from the 2005-06 fiscal year.
- General revenues total \$214,638,142.95, or 92 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$19,552,517.89, or 8 percent.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$13,512,904.93 at June 30, 2007, or 10 percent of total General Fund expenditures.
- During the current year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,915,489.87. This may be compared to 2005-06 fiscal year's results in which General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,318,287.96.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District’s services including its educational programs: basic, vocational, and adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Component units – The District presents two separate legal entities in this report which are the Charlotte School Board Leasing Corporation and the Charlotte Local Education Foundation, Inc. These entities meet the criteria for inclusion provided by generally accepted accounting principles.

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

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District’s most significant funds. The District’s major funds are the General Fund, Capital Projects – Local Capital Improvement Fund, and Special Revenue – Miscellaneous 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 Special Revenue – Miscellaneous 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 Consortium. 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, 2007, compared to net assets as of June 30, 2006:

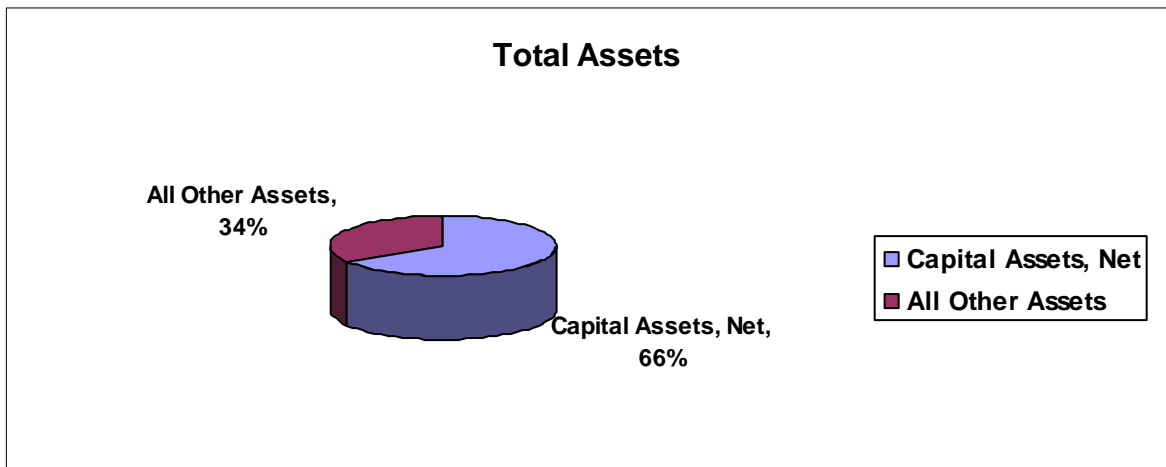
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-07	6-30-06		
Current and Other Assets	126,541,134.30	116,589,504.67	\$ 9,951,629.63	9%
Capital Assets	240,871,479.61	171,654,503.53	69,216,976.08	40%
Total Assets	367,412,613.91	288,244,008.20	79,168,605.71	27%
Other Liabilities	16,668,187.77	8,147,001.14	8,521,186.63	105%
Long-Term Liabilities	23,578,418.81	21,014,008.38	2,564,410.43	12%
Total Liabilities	40,246,606.58	29,161,009.52	11,085,597.06	38%
Net Assets:				
Invested in Capital Assets -				
Net of Debt	227,822,479.61	160,350,503.53	67,471,976.08	42%
Restricted	90,809,692.64	89,147,727.70	1,661,964.94	2%
Unrestricted	8,533,835.08	9,584,767.45	(1,050,932.37)	-11%
Total Net Assets	\$ 327,166,007.33	\$ 259,082,998.68	\$ 68,083,008.65	26%

The largest portion of the District’s net assets (70 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.

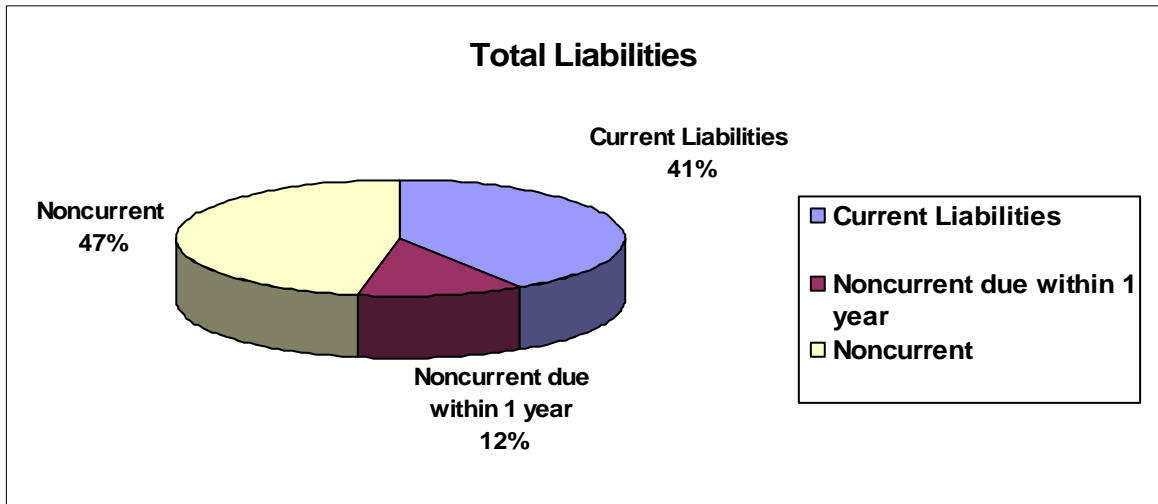
The restricted portion of the District’s net assets (28 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

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

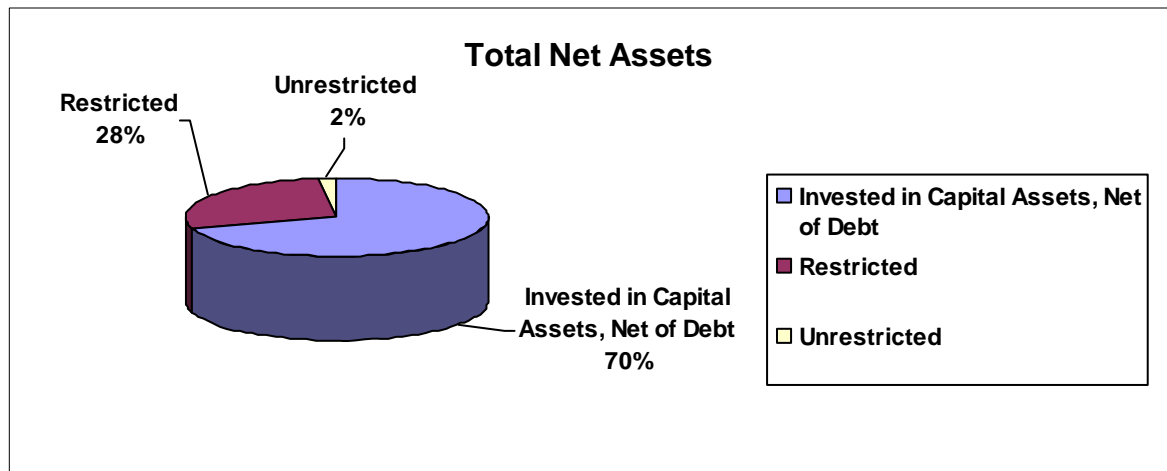
Total Assets, distinguishing between capital and other assets:



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:

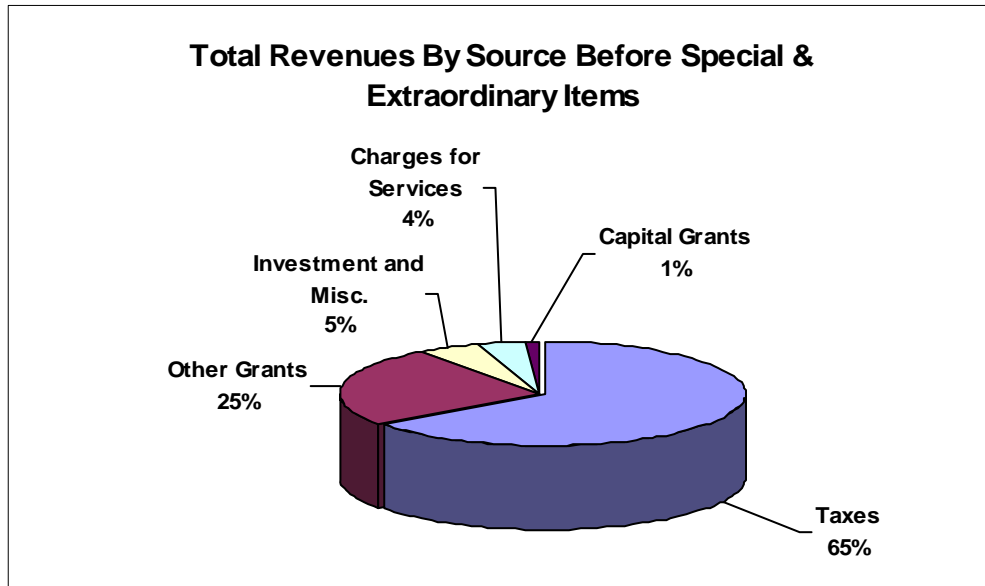


Statement of Activities – The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2007, and June 30, 2006, are as follows:

	Operating Results for the Year			
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-07	6-30-06		
Program Revenues:				
Charges for Services	\$ 9,391,472.11	\$ 9,456,681.95	\$ (65,209.84)	-1%
Operating Grants and Contributions	7,713,617.54	7,164,948.05	548,669.49	8%
Capital Grants and Contributions	2,447,428.24	2,997,930.73	(550,502.49)	-18%
General Revenues:				
Property Taxes, Levied for Operational Purposes	92,943,405.63	82,140,096.81	10,803,308.82	13%
Property Taxes, Levied for Debt Service	3,283,920.41	3,137,225.05	146,695.36	5%
Property Taxes, Levied for Capital Projects	46,297,074.07	30,938,390.91	15,358,683.16	50%
Local Sales Tax	1,100,000.00	2,100,000.00	(1,000,000.00)	-48%
Grants and Contributions Not Restricted to Specific Programs	47,838,047.28	43,696,697.93	4,141,349.35	9%
Unrestricted Investment Earnings	6,952,986.93	4,985,806.19	1,967,180.74	39%
Miscellaneous	3,071,087.82	2,212,547.85	858,539.97	39%
Special Items	6,065,070.61		6,065,070.61	100%
Extraordinary Items	7,086,550.20	15,120,897.93	(8,034,347.73)	-53%
Total Revenues	234,190,660.84	203,951,223.40	30,239,437.44	15%
Functions/Program Expenses:				
Instruction	77,704,176.86	70,527,023.15	7,177,153.71	10%
Pupil Personnel Services	8,671,800.07	8,223,803.02	447,997.05	5%
Instructional Media Services	2,258,270.37	2,285,096.32	(26,825.95)	-1%
Instruction and Curriculum Development Services	6,036,271.63	5,538,774.20	497,497.43	9%
Instructional Staff Training Services	1,799,841.77	1,766,627.97	33,213.80	2%
Instruction Related Technology	426,416.37	152,134.47	274,281.90	180%
Board of Education	660,575.99	540,601.59	119,974.40	22%
General Administration	575,399.33	666,203.39	(90,804.06)	-14%
School Administration	8,179,409.30	7,314,245.53	865,163.77	12%
Fiscal Services	949,295.29	858,841.55	90,453.74	11%
Food Services	7,192,984.67	6,201,556.40	991,428.27	16%
Central Services	19,313,865.89	18,783,787.06	530,078.83	3%
Pupil Transportation Services	6,124,412.05	5,860,028.91	264,383.14	5%
Operation of Plant	11,888,349.12	11,290,102.20	598,246.92	5%
Maintenance of Plant	3,635,960.23	3,776,737.51	(140,777.28)	-4%
Administrative Technology Services	1,185,206.22	1,121,990.76	63,215.46	6%
Community Services	898,450.91	538,525.20	359,925.71	67%
Interest on Long-Term Debt	782,876.97	586,277.39	196,599.58	34%
Unallocated Depreciation Expense	7,824,089.15	6,622,751.36	1,201,337.79	18%
Total Functions/Program Expenses	166,107,652.19	152,655,107.98	13,452,544.21	9%
Increase in Net Assets	\$ 68,083,008.65	\$ 51,296,115.42	\$ 16,786,893.23	33%

The largest revenue source for the 2006-07 fiscal year is from the property tax levy, which resulted in total revenue for operational, debt service, and capital purposes of \$142,524,400.11 or 64 percent of total revenues, excluding special and 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 \$35,814,576.94 for the 2006-07 fiscal year, of which \$6,781,488.58 is attributable to FEFP funding.

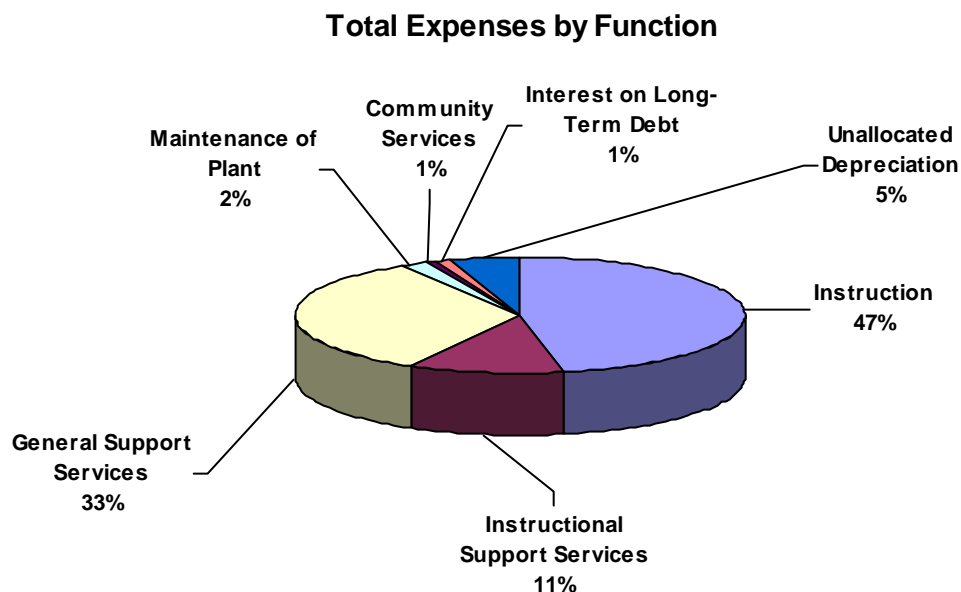
The following graph shows total revenues by source before special and extraordinary items:



Instructional expenses represent 47 percent of total governmental expenses in the 2006-07 fiscal year. Instructional expenses increased by \$7,177,153.71, or 10 percent, from the previous year due mainly to an across-the-board 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 \$991,428.27 or 16 percent, primarily due to the volume of activity resuming a level similar to pre-hurricane activity. During prior fiscal years, many school sites were on split sessions, causing a reduction in meals served.

The following graph shows 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 2006-07 fiscal year, unreserved fund balance is \$13,512,904.93, while the total fund balance is \$15,388,474.97. The unreserved fund balance increased by \$2,014,281.35, while the total fund balance increased by \$1,915,489.87 during the fiscal year. Key factors in this are as follows:

- A decrease in the local property tax rate coupled with increased property values increased tax revenues by \$10,803,308.82.
- Total expenditures increased by \$11,801,869.85, or 10 percent, due mainly to across-the-board pay increase and an increase in required contributions to the Florida Retirement System.

The Special Revenue – Miscellaneous Fund has a total fund balance of \$42,517,264.01 all of which is restricted for the reconstruction of capital assets and extra expenses associated with hurricane damages caused by Hurricane Charley in August 2004.

The Capital Projects – Local Capital Improvement fund balance of \$39,156,512.98, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

In analyzing the budget variances between the original and final budgets, there were no significant variations in revenue or expenditures. 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, as part of the hurricane recovery process, continues in its rebuilding process. Construction has begun on five of the six schools to be rebuilt. These facilities will be replaced using funds from our insurance proceeds, along with help from FEMA and the State of Florida.

Under District policy, school buses are replaced on an average ten-year cycle. Total cost of new buses for the current year totaled \$1,011,086.

Long-Term Debt

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.

Additional information on the District's long-term debt can be found in Notes 5 through 8 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, 2007

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 120,636.65	\$ 126,309.00
Investments	121,350,729.98	
Accounts Receivable	20,398.58	5,035.00
Cash with Fiscal Agent	16,162.37	
Deferred Charges	30,706.43	
Due from Other Agencies	3,591,068.94	
Inventories	1,411,431.35	1,800.00
Capital Assets:		
Land	12,813,413.30	
Construction in Progress	59,140,390.68	
Improvements Other Than Buildings, Net	1,296,437.16	
Buildings and Fixed Equipment, Net	155,443,688.84	
Furniture, Fixtures, and Equipment, Net	7,937,498.70	155.00
Motor Vehicles, Net	4,215,311.20	
Audio Visual Materials and Computer Software, Net	24,739.73	
TOTAL ASSETS	\$ 367,412,613.91	\$ 133,299.00
LIABILITIES		
Salaries and Benefits Payable	\$ 1,046,647.49	\$
Payroll Deductions and Withholdings	780,287.75	
Accounts Payable	6,659,132.01	330.00
Construction Contracts Payable - Retainage	5,376,803.70	
Accrued Interest Payable	146,208.16	
Deposits Payable	91,881.66	
Deferred Revenue	2,567,227.00	
Accrued Expense		4,500.00
Long-Term Liabilities:		
Portion Due Within One Year:		
Bonds Payable	3,410,000.00	
Compensated Absences Payable	1,243,291.50	
Portion Due After One Year:		
Qualified Zone Academy Bond Payable	5,000,000.00	
Bonds Payable	4,669,706.43	
Compensated Absences Payable	9,255,420.88	
Total Liabilities	40,246,606.58	4,830.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	227,822,479.61	155.00
Restricted for:		
State Categorical Programs	654,365.00	
Debt Service	137,891.78	
Capital Projects	45,981,187.50	
Other Purposes	44,036,248.36	53,327.00
Unrestricted	8,533,835.08	74,987.00
Total Net Assets	327,166,007.33	128,469.00
TOTAL LIABILITIES AND NET ASSETS	\$ 367,412,613.91	\$ 133,299.00

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, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 77,704,176.86	\$ 697,685.01	\$	\$
Pupil Personnel Services	8,671,800.07			
Instructional Media Services	2,258,270.37			
Instruction and Curriculum Development Services	6,036,271.63			
Instructional Staff Training Services	1,799,841.77			
Instruction Related Technology	426,416.37			
Board of Education	660,575.99			
General Administration	575,399.33			
School Administration	8,179,409.30			
Facilities Acquisition and Construction				838,818.81
Fiscal Services	949,295.29			
Food Services	7,192,984.67	3,542,792.72	4,053,753.54	
Central Services	19,313,865.89	4,859,276.05		
Pupil Transportation Services	6,124,412.05	291,718.33	3,659,864.00	
Operation of Plant	11,888,349.12			
Maintenance of Plant	3,635,960.23			1,024,518.00
Administrative Technology Services	1,185,206.22			
Community Services	898,450.91			
Interest on Long-Term Debt	782,876.97			584,091.43
Unallocated Depreciation Expense	7,824,089.15			
Total Governmental Activities	<u>166,107,652.19</u>	<u>9,391,472.11</u>	<u>7,713,617.54</u>	<u>2,447,428.24</u>
Component Unit				
Charlotte Local Education Foundation, Inc.	\$ 254,694.00	\$ 0.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Special Items:

Exchange of Property

Extraordinary Items:

Loss Recoveries

Total General Revenues, Special Items, and Extraordinary Items

Change in Net Assets

Net Assets - July 1, 2006

Net Assets - June 30, 2007

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (77,006,491.85)	\$
(8,671,800.07)	
(2,258,270.37)	
(6,036,271.63)	
(1,799,841.77)	
(426,416.37)	
(660,575.99)	
(575,399.33)	
(8,179,409.30)	
838,818.81	
(949,295.29)	
403,561.59	
(14,454,589.84)	
(2,172,829.72)	
(11,888,349.12)	
(2,611,442.23)	
(1,185,206.22)	
(898,450.91)	
(198,785.54)	
<u>(7,824,089.15)</u>	
<u>(146,555,134.30)</u>	
	<u>(254,694.00)</u>
92,943,405.63	
3,283,920.41	
46,297,074.07	
1,100,000.00	
47,838,047.28	233,845.00
6,952,986.93	436.00
3,071,087.82	32,500.00
6,065,070.61	
<u>7,086,550.20</u>	
<u>214,638,142.95</u>	<u>266,781.00</u>
68,083,008.65	12,087.00
<u>259,082,998.68</u>	<u>116,382.00</u>
<u>\$ 327,166,007.33</u>	<u>\$ 128,469.00</u>

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

	General Fund	Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 116,186.65	\$	\$
Investments	16,776,993.42	49,755,806.36	42,115,480.50
Accounts Receivable	13,639.32		
Due from Other Funds	252,117.74		
Due from Other Agencies	392,681.50		22,870.03
Inventories	1,006,270.94		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 18,557,889.57</u>	<u>\$ 49,755,806.36</u>	<u>\$ 42,138,350.53</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 882,776.07	\$ 9,217.82	\$ 7,760.21
Payroll Deductions and Withholdings	561,467.82	6,335.68	11,459.12
Accounts Payable	1,724,970.71	3,317,298.78	1,491,504.59
Construction Contracts Payable - Retainage		3,905,690.07	1,471,113.63
Due to Other Funds			
Deposits Payable			
Deferred Revenue	200.00		
Total Liabilities	<u>3,169,414.60</u>	<u>7,238,542.35</u>	<u>2,981,837.55</u>
Fund Balances:			
Reserved for State Categorical Programs	654,365.00		
Reserved for Encumbrances	214,934.10	42,517,264.01	16,291,044.34
Reserved for Inventories	1,006,270.94		
Reserved for Debt Service			
Reserved for Other Purposes			
Unreserved, Reported in:			
General Fund	13,512,904.93		
Special Revenue Funds			
Debt Service Funds			
Capital Projects Funds			22,865,468.64
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>15,388,474.97</u>	<u>42,517,264.01</u>	<u>39,156,512.98</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,557,889.57</u>	<u>\$ 49,755,806.36</u>	<u>\$ 42,138,350.53</u>

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>
\$ 4,150.00	\$ 120,336.65
10,470,651.24	119,118,931.52
5,908.26	19,547.58
	252,117.74
3,175,517.41	3,591,068.94
405,160.41	1,411,431.35
<u> </u>	<u> </u>
<u>\$ 14,061,387.32</u>	<u>\$ 124,513,433.78</u>
\$ 139,667.56	\$ 1,039,421.66
192,535.99	771,798.61
119,632.14	6,653,406.22
	5,376,803.70
252,117.74	252,117.74
53,397.39	53,397.39
2,567,027.00	2,567,227.00
<u> </u>	<u> </u>
<u>3,324,377.82</u>	<u>16,714,172.32</u>
	654,365.00
827.85	59,024,070.30
405,160.41	1,411,431.35
137,891.78	137,891.78
18,202.71	18,202.71
	13,512,904.93
1,094,793.38	1,094,793.38
2,255,458.85	2,255,458.85
6,824,674.52	29,690,143.16
<u> </u>	<u> </u>
<u>10,737,009.50</u>	<u>107,799,261.46</u>
<u>\$ 14,061,387.32</u>	<u>\$ 124,513,433.78</u>

**EXHIBIT - D
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total Fund Balances - Governmental Funds \$ 107,799,261.46

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. 30,706.43

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. 240,871,479.61

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. (146,208.16)

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. 2,189,186.80

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:

Qualified Zone Academy Bond Payable	\$ 5,000,000.00	
Bonds Payable	8,079,706.43	
Compensated Absences Payable	<u>10,498,712.38</u>	<u>(23,578,418.81)</u>

Total Net Assets - Governmental Activities \$ 327,166,007.33

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, 2007

	General Fund	Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 150,331.78	\$	\$
Federal Through State	499,542.16	2,951,330.33	2,420,060.00
State	33,064,621.11	213,962.78	
Local	97,881,748.45	2,952,091.48	49,982,801.30
Total Revenues	<u>131,596,243.50</u>	<u>6,117,384.59</u>	<u>52,402,861.30</u>
Expenditures			
Current - Education:			
Instruction	79,337,075.76	5,998.87	
Pupil Personnel Services	8,494,761.03	58.02	
Instructional Media Services	2,203,373.40	42,172.55	
Instruction and Curriculum Development Services	3,739,664.25		
Instructional Staff Training Services	1,011,548.44		
Instruction Related Technology	436,329.21		
Board of Education	688,738.54		
General Administration	327,348.66		
School Administration	8,292,095.81	147.58	
Facilities Acquisition and Construction		6,797,796.78	5,496,493.16
Fiscal Services	1,009,815.38	467,609.62	
Food Services			
Central Services	3,306,642.74	299,193.98	
Pupil Transportation Services	6,879,420.33		
Operation of Plant	12,477,665.35	41.18	
Maintenance of Plant	3,850,168.02	38,127.95	
Administrative Technology Services	1,260,060.22		
Community Services	917,740.99		
Fixed Capital Outlay:			
Facilities Acquisition and Construction		47,907,968.64	23,592,818.46
Other Capital Outlay			2,956,438.48
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>134,232,448.13</u>	<u>55,559,115.17</u>	<u>32,045,750.10</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,636,204.63)</u>	<u>(49,441,730.58)</u>	<u>20,357,111.20</u>
Other Financing Sources (Uses)			
Transfers In	4,531,623.68	18,270,727.57	498,701.33
Qualified Zone Academy Bonds Issued			
Proceeds from Sale of Capital Assets			
Insurance Loss Recoveries	21,788.21		
Transfers Out	(1,717.39)		(18,546,644.09)
Total Other Financing Sources (Uses)	<u>4,551,694.50</u>	<u>18,270,727.57</u>	<u>(18,047,942.76)</u>
Extraordinary Items			
Loss Recoveries		22,000,000.00	
Net Change in Fund Balances	1,915,489.87	(9,171,003.01)	2,309,168.44
Fund Balances, July 1, 2006	13,472,985.10	51,688,267.02	36,847,344.54
Fund Balances, June 30, 2007	<u>\$ 15,388,474.97</u>	<u>\$ 42,517,264.01</u>	<u>\$ 39,156,512.98</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>
\$ 4,330,415.89	\$ 4,480,747.67
11,832,835.96	17,703,768.45
2,535,993.05	35,814,576.94
<u>7,271,118.24</u>	<u>158,087,759.47</u>
<u>25,970,363.14</u>	<u>216,086,852.53</u>
4,724,427.16	84,067,501.79
801,981.93	9,296,800.98
24,784.66	2,270,330.61
2,683,052.06	6,422,716.31
835,046.49	1,846,594.93
	436,329.21
	688,738.54
253,744.12	581,092.78
434,168.24	8,726,411.63
3,167.00	12,297,456.94
24,731.66	1,502,156.66
7,998,568.44	7,998,568.44
1,717.09	3,607,553.81
6,888.35	6,886,308.68
32,498.05	12,510,204.58
	3,888,295.97
	1,260,060.22
	917,740.99
37,687.88	71,538,474.98
	2,956,438.48
3,325,000.00	3,325,000.00
<u>740,235.31</u>	<u>740,235.31</u>
<u>21,927,698.44</u>	<u>243,765,011.84</u>
<u>4,042,664.70</u>	<u>(27,678,159.31)</u>
4,751,717.39	28,052,769.97
5,000,000.00	5,000,000.00
1,983,340.80	1,983,340.80
	21,788.21
<u>(9,504,408.49)</u>	<u>(28,052,769.97)</u>
<u>2,230,649.70</u>	<u>7,005,129.01</u>
 	<u>22,000,000.00</u>
6,273,314.40	1,326,969.70
<u>4,463,695.10</u>	<u>106,472,291.76</u>
<u>\$ 10,737,009.50</u>	<u>\$ 107,799,261.46</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, 2007

Net Change in Fund Balances - Governmental Funds \$ 1,326,969.70

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.	69,216,976.08
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current period.	(1,675,000.00)
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.	(43,336.98)
Issuance costs for new debt issues are reported as expenditures in the governmental fund, but are deferred and amortized over the life of the debt in the statement of activities. This is the net decrease in deferred charges during the current year.	(26,663.02)
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.	(846,073.45)
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.	27,358.34
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	102,777.98

Change in Net Assets - Governmental Activities \$ 68,083,008.65

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, 2007

		Governmental Activities - Internal Service Funds
<hr/>		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	16,462.37
Investments		2,231,798.46
Other Receivables		851.00
		<hr/>
TOTAL ASSETS	\$	2,249,111.83
		<hr/> <hr/>
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	\$	7,225.83
Payroll Deductions and Withholdings Payable		8,489.14
Accounts Payable		5,725.79
Deposits Payable		38,484.27
		<hr/>
Total Liabilities		59,925.03
		<hr/>
NET ASSETS		
Unrestricted		2,189,186.80
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	2,249,111.83
		<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, 2007

		Governmental Activities - Internal Service Funds
		Funds
OPERATING REVENUES		
Charges for Services	\$	381,055.00
Charges for Sales		22,427.29
Premium Revenues		16,117,895.87
		16,521,378.16
Total Operating Revenues		16,521,378.16
OPERATING EXPENSES		
Salaries		304,796.05
Employee Benefits		105,321.64
Purchased Services		16,022,771.93
Energy Services		9,381.12
Materials and Supplies		32,701.53
Capital Outlay		13,806.67
Other Expenses		944.48
		16,489,723.42
Total Operating Expenses		16,489,723.42
Operating Income		31,654.74
NONOPERATING REVENUE		
Interest		71,123.24
		71,123.24
Change in Net Assets		102,777.98
Total Net Assets, July 1, 2006		2,086,408.82
Total Net Assets, June 30, 2007	\$	2,189,186.80

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, 2007

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$	16,492,664.24
Cash Payments to Suppliers for Goods and Services		(17,174,952.74)
Cash Payments to Employees for Services		(408,372.72)
		(1,090,661.22)
Net Cash Used by Operating Activities		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(16,370,390.15)
Proceeds from Disposition of Investments		17,398,215.58
Interest Income		71,123.24
		1,098,948.67
Net Cash Provided by Investing Activities		
Net Increase in Cash and Cash Equivalents		8,287.45
Cash and Cash Equivalents, Beginning		8,174.92
		\$ 16,462.37
 Reconciliation of Operating Income to Net Cash Used by Operating Activities:		
Operating Income	\$	31,654.74
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Other Receivables		(432.16)
Decrease in Accounts Payable		(1,095,397.04)
Increase in Salaries and Benefits Payable		1,599.01
Increase in Payroll Tax Liabilities		195.99
Decrease in Deposits Payable		(28,281.76)
		(1,122,315.96)
Total Adjustments		
Net Cash Used by Operating Activities		\$ (1,090,661.22)

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, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 2,342,688.60</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 2,342,688.60</u>

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

EXHIBIT – K
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The 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 the application of these criteria, the following component units are included within the District School Board's reporting entity:

- **Blended Component Unit.** The Charlotte School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the Charlotte County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Charlotte Local Education Foundation, Inc. The Charlotte Local Education Foundation, Inc., is a separate not-for-profit corporation organized and operated as a direct support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. The financial data reported in the accompanying basic financial statements was derived from the audited financial information from the organization for the fiscal year ended June 30, 2007. The financial information is on file in the District's Administrative Office.

➤ **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

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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 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 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 Fund – to account for the District's employee benefits program and 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

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flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums 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.

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

➤ **Deposits and Investments**

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

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

Investments made locally consist of a money market account and are reported at cost. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

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➤ **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.

➤ **Capital Assets**

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

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 debt issuances 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.

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

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

➤ **State Revenue Sources**

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

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

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2006 tax levy on September 11, 2006. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the 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, 2007, the District has the following investments and maturities:

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Investment	Maturities	Fair Value
Columbia Treasury Reserve Money Market Fund	27 Day Average	\$ 16,324,768.49
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	26 Day Average	104,888,069.70
State Board of Administration Debt Service Accounts	6 Months	<u>137,891.79</u>
Total Investments		<u>\$ 121,350,729.98</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's investment policy does not limit 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, provides the authority to invest in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool and limits investments in money market funds to Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to:
 - Local Government Surplus Funds Trust Fund Investment Pool or any intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statutes.
 - Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
 - Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes.
 - Direct obligations of the United States Treasury.
 - Federal agencies and instrumentalities.
 - Securities of, or other interest in, any open-end or close-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.

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- The District’s investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- As of June 30, 2007, the District’s investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
- The District’s investment in the Columbia Treasury Reserve Money Market Fund is rated Aaa by Moody’s Investors Services and AAAM by Standard & Poor’s Investor Services.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 7,331,596.34	\$ 6,336,087.15	\$ 854,270.19	\$ 12,813,413.30
Construction in Progress	29,057,140.80	68,258,014.43	38,174,764.55	59,140,390.68
Total Capital Assets Not Being Depreciated	36,388,737.14	74,594,101.58	39,029,034.74	71,953,803.98
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,720,364.85	73,750.31		4,794,115.16
Buildings and Fixed Equipment	161,835,009.29	38,174,764.55		200,009,773.84
Furniture, Fixtures, and Equipment	23,435,096.90	2,097,570.53	3,784,862.76	21,747,804.67
Motor Vehicles	10,304,126.33	1,129,913.00	939,022.13	10,495,017.20
Audio Visual Materials and Computer Software	1,276,308.97			1,276,308.97
Total Capital Assets Being Depreciated	201,570,906.34	41,475,998.39	4,723,884.89	238,323,019.84
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,324,524.00	173,154.00		3,497,678.00
Buildings and Fixed Equipment	40,543,334.00	4,022,751.00		44,566,085.00
Furniture, Fixtures, and Equipment	14,845,236.57	2,749,932.16	3,784,862.76	13,810,305.97
Motor Vehicles	6,376,150.45	842,577.68	939,022.13	6,279,706.00
Audio Visual Materials and Computer Software	1,215,894.93	35,674.31		1,251,569.24
Total Accumulated Depreciation	66,305,139.95	7,824,089.15	4,723,884.89	69,405,344.21
Total Capital Assets Being Depreciated, Net	135,265,766.39	33,651,909.24		168,917,675.63
Governmental Activities Capital Assets, Net	\$ 171,654,503.53	\$ 108,246,010.82	\$ 39,029,034.74	\$ 240,871,479.61

The District’s capital assets serve several functions; accordingly, depreciation expense, which totals \$7,824,089.15, is not charged to functions but is shown as unallocated on the statement of activities.

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5. QUALIFIED ZONE ACADEMY BOND

On November 27, 2006, the District entered into a financing arrangement, which arrangement was characterized as a lease-purchase agreement, with the Charlotte School Board Leasing Corporation, whereby the District secured financing under the Qualified Zone Academy Bonds (QZAB) Program in the amount of \$5,000,000. The financing proceeds were designated for technology upgrades/replacements, computers – laptops, and instructional equipment/materials, at the following schools: The Academy of Charlotte Tech Center, Charlotte Harbour Center School., Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School.

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 date 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. As of June 30, 2007, the paying agent held no deposits.

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6. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A	\$ 305,000.00	4.5	2008
Series 1999A	440,000.00	4.00 - 4.75	2019
Series 2005B, Refunding	4,160,000.00	5.0	2018
District General Obligation Bonds:			
Series 2003, Refunding	<u>3,055,000.00</u>	2.0 - 2.5	2008
Subtotal	7,960,000.00		
Add: Unamortized Premium on Debt	361,351.00		
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(241,644.57)</u>		
Total Bonds Payable	<u>\$ 8,079,706.43</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, 2007, are as follows:

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Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	584,650.00	415,000.00	169,650.00
2013-2017	2,927,550.00	2,410,000.00	517,550.00
2018-2020	615,312.50	585,000.00	30,312.50
Subtotal	6,486,906.50	4,905,000.00	1,581,906.50
Add: Unamortized Premium on Debt	352,629.59	352,629.59	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	(195,999.57)	(195,999.57)	
Total State School Bonds	6,643,536.52	5,061,630.02	1,581,906.50
General Obligation Bonds:			
2008	3,131,375.00	3,055,000.00	76,375.00
Add: Unamortized Premium on Debt	8,721.41	8,721.41	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	(45,645.00)	(45,645.00)	
Total General Obligation Bonds	3,094,451.41	3,018,076.41	76,375.00
Total	<u>\$ 9,737,987.93</u>	<u>\$ 8,079,706.43</u>	<u>\$ 1,658,281.50</u>

7. DEFEASED DEBT

In prior years, the District's State School Bonds, Series 1998A, were defeased in substance by placing a portion of the proceeds of new State School Bonds, Series 2005B, in an irrevocable trust to provide for all future debt service payments on the old State School Bond. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bond are not included in the District's financial statements. On June 30, 2007, State School Bond, Series 1998A, totaling \$4,345,000 outstanding are considered defeased in substance.

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8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Qualified Zone Academy Bond	\$	\$5,000,000.00	\$	\$ 5,000,000.00	\$
Bonds Payable	11,361,369.45		3,281,663.02	8,079,706.43	3,410,000.00
Compensated Absences Payable	<u>9,652,638.93</u>	<u>1,930,181.80</u>	<u>1,084,108.35</u>	<u>10,498,712.38</u>	<u>1,243,291.50</u>
Total Governmental Activities	<u>\$21,014,008.38</u>	<u>\$6,930,181.80</u>	<u>\$4,365,771.37</u>	<u>\$23,578,418.81</u>	<u>\$4,653,291.50</u>

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

9. RESERVE FOR ENCUMBRANCES

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

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

10. 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:		
General	\$252,117.74	\$
Nonmajor Governmental		<u>252,117.74</u>
Total	<u>\$252,117.74</u>	<u>\$252,117.74</u>

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received

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in the fund providing the advancement. The moneys loaned by the General Fund to the nonmajor governmental funds will be repaid in the 2007-08 fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 4,531,623.68	\$ 1,717.39
Special Revenue:		
Miscellaneous	18,270,727.57	
Capital Projects:		
Local Capital Improvement	498,701.33	18,546,644.09
Nonmajor Governmental	4,751,717.39	9,504,408.49
Total	\$28,052,769.97	\$ 28,052,769.97

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 was for hurricane repairs. The transfer in to the Capital Projects - Local Capital Improvement Fund from Nonmajor Governmental Funds was to finance various capital improvements. The transfers in to the Nonmajor Governmental Funds were for equipment purchases. The transfer out of the General Fund was to finance the local non-Federal share of grant expenditures.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2006-07 fiscal year:

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<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 6,781,488.58
Categorical Educational Programs:	
Class Size Reduction	13,370,849.00
Transportation	3,659,864.00
Instructional Materials	1,802,660.00
School Recognition Funds	1,200,223.00
Voluntary Prekindergarten Program	613,219.20
Excellent Teaching Program	361,259.28
Florida Teachers Lead Program	300,470.00
Workforce Development Program	3,087,536.00
Gross Receipts Tax (Public Education Capital Outlay)	1,724,980.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	701,153.27
Discretionary Lottery Funds	667,781.00
Miscellaneous	<u>1,543,093.61</u>
 Total	 <u><u>\$35,814,576.94</u></u>

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

12. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	3.426	\$ 79,157,792
Basic Discretionary Local Effort	0.510	11,783,559
Supplemental Discretionary Local Effort	0.078	1,802,191
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.140	3,234,702
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>46,210,036</u>
Total	<u><u>6.154</u></u>	<u><u>\$ 142,188,280</u></u>

13. 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

EXHIBIT – K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
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plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible and must enroll as members of FRS.

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

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

EXHIBIT – K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$5,682,053.96, \$6,741,417.85, and \$7,466,317.07 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 FRS defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 416 District participants in PEORP during the 2006-07 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2007, totaled \$1,687,302.60.

Pension Reporting. The financial statements and other supplementary information of the 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 the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

14. CONSTRUCTION CONTRACT COMMITMENTS

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

EXHIBIT – K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
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Project	Contract Amount	Completed to Date	Balance Committed
Lemon Bay High School:			
Architect	\$ 760,500.00	\$ 184,075.00	\$ 576,425.00
Charlotte High School :			
Contractor	5,989,593.25	3,175,111.78	2,814,481.47
Direct Purchases / Other	385,060.00	385,060.00	
Charlotte Technical Center:			
Architect	518,900.00	38,623.00	480,277.00
Contractor	4,881,795.00	1,086,181.87	3,795,613.13
Baker Center:			
Architect	978,332.00	882,952.32	95,379.68
Contractor	13,826,993.80	9,327,112.01	4,499,881.79
Direct Purchases / Other	2,298,307.00	2,298,307.00	
Charlotte High School:			
Architect	2,682,908.00	583,540.00	2,099,368.00
Contractor	7,355,069.00		7,355,069.00
Direct Purchases / Other	2,976,632.00	2,976,632.00	
East Elementary School:			
Architect	650,000.00	455,000.00	195,000.00
Contractor	21,335,742.00	150,000.00	21,185,742.00
Neil Armstrong Elementary School:			
Architect	500,000.00	443,750.00	56,250.00
Contractor	19,474,703.80	6,943,073.10	12,531,630.70
Direct Purchases / Other	4,884,874.90	4,884,874.90	
Peace River Elementary School:			
Architect	575,000.00	509,713.00	65,287.00
Contractor	21,067,549.00	6,007,371.00	15,060,178.00
Direct Purchases / Other	4,111,045.00	4,111,045.00	
Punta Gorda Middle School:			
Architect	1,192,032.00	1,020,965.61	171,066.39
Contractor	33,021,407.73	9,256,183.07	23,765,224.66
Direct Purchases / Other	3,087,975.00	3,087,975.00	
	<u>\$ 152,554,419.48</u>	<u>\$ 57,807,545.66</u>	<u>\$ 94,746,873.82</u>

15. 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 is the fiscal agent and has established an internal service fund to account for program activities.

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

16. 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) under which several

EXHIBIT – K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
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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.

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.

EXHIBIT – K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

17. INTERNAL SERVICE FUNDS

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

	Total	Employee Benefit Program	Special Projects Center
Total Assets	<u>\$ 2,249,111.83</u>	<u>\$ 2,096,321.67</u>	<u>\$ 152,790.16</u>
Liabilities and Net Assets:			
Accounts Payable	\$ 5,725.79	\$ 5,046.87	\$ 678.92
Salaries and Benefits Payable	7,225.83	2,161.29	5,064.54
Payroll Deductions and Withholdings Payable	8,489.14	2,649.28	5,839.86
Deposits Payable	38,484.27	38,484.27	
Unrestricted Net Assets	<u>2,189,186.80</u>	<u>2,047,979.96</u>	<u>141,206.84</u>
Total Liabilities and Net Assets	<u>\$ 2,249,111.83</u>	<u>\$ 2,096,321.67</u>	<u>\$ 152,790.16</u>
Revenues:			
Premium Contributions	\$ 16,117,895.87	\$ 16,117,895.87	\$
Charges for Services	381,055.00		381,055.00
Charges for Sales	22,427.29		22,427.29
Interest Income	<u>71,123.24</u>	<u>54,322.17</u>	<u>16,801.07</u>
Total Revenues	16,592,501.40	16,172,218.04	420,283.36
Total Expenses	<u>(16,489,723.42)</u>	<u>(16,105,702.14)</u>	<u>(384,021.28)</u>
Change in Net Assets	<u>\$ 102,777.98</u>	<u>\$ 66,515.90</u>	<u>\$ 36,262.08</u>

18. NONFEDERAL SHARE – HEAD START PROGRAMS

For the Head Start and Early Head Start grants, the District is required to provide 20 percent of the total amount expended using non-Federal funds and donated goods and services. Local funds expended were for facilities, equipment and district support staff, such as therapists, psychologists and teachers. Donated goods and services were provided by the community and were used for the benefit of the program. During this fiscal year, for grant number 04CH3161/40 with a period ending October 31, 2006, the required amount of non-Federal share is \$130,205.83. For grant number 04CH3161/41, the required amount of non-Federal share during the period November 1 2006, through June 30, 2007 is \$442,956.04. For grant number 04WH006/01, the required amount of non-Federal share during the period September 1, 2006, through June 30, 2007, is \$503,630.25.

EXHIBIT – K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

19. SPECIAL ITEMS

The District entered into an agreement with the Charlotte County Board of County Commissioners to exchange certain properties within Charlotte County. The amount recognized as a special item is the difference between the fair value of the land and cash received over the cost of the land exchanged.

20. EXTRAORDINARY ITEMS

The following is a summary of financial information as reported in the Statement of Activities for the 2006-07 fiscal year:

Extraordinary Items:	
Insurance Proceeds Received	\$22,000,000.00
Expenditures for Replacements	<u>(14,913,449.80)</u>
Total Extraordinary Items	<u><u>\$ 7,086,550.20</u></u>

21. SUBSEQUENT EVENTS

As discussed in Note 3, at June 30, 2007, the Charlotte County District School Board had \$104,888,069.70 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the District and the State Board of Administration. The District had \$77,011,735.10 invested in the Pool as of March 17, 2008.

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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, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 145,000.00	\$ 150,332.00	\$ 150,331.78	\$ (0.22)
Federal Through State	518,000.00	519,675.00	499,542.16	(20,132.84)
State	34,477,814.00	33,985,030.00	33,064,621.11	(920,408.89)
Local	96,188,356.00	97,854,710.00	97,881,748.45	27,038.45
Total Revenues	131,329,170.00	132,509,747.00	131,596,243.50	(913,503.50)
Expenditures				
Current - Education:				
Instruction	81,957,296.00	81,193,418.00	79,337,075.76	1,856,342.24
Pupil Personnel Services	8,139,525.00	8,645,056.00	8,494,761.03	150,294.97
Instructional Media Services	2,241,408.00	2,227,018.00	2,203,373.40	23,644.60
Instruction and Curriculum Development Services	3,594,873.00	3,760,172.00	3,739,664.25	20,507.75
Instructional Staff Training Services	1,063,005.00	1,324,986.00	1,011,548.44	313,437.56
Instruction Related Technology	395,277.00	445,743.00	436,329.21	9,413.79
Board of Education	543,071.00	690,824.00	688,738.54	2,085.46
General Administration	306,597.00	336,387.00	327,348.66	9,038.34
School Administration	8,299,833.00	8,370,208.00	8,292,095.81	78,112.19
Facilities Acquisition and Construction				
Fiscal Services	980,135.00	1,019,295.00	1,009,815.38	9,479.62
Food Services				
Central Services	3,042,587.00	3,409,796.00	3,306,642.74	103,153.26
Pupil Transportation Services	7,208,354.00	7,120,490.00	6,879,420.33	241,069.67
Operation of Plant	13,264,371.00	13,039,070.00	12,477,665.35	561,404.65
Maintenance of Plant	3,847,049.00	3,981,718.00	3,850,168.02	131,549.98
Administrative Technology Services	1,271,585.00	1,315,747.00	1,260,060.22	55,686.78
Community Services	512,987.00	934,286.00	917,740.99	16,545.01
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Total Expenditures	136,667,953.00	137,814,214.00	134,232,448.13	3,581,765.87
Deficiency of Revenues Over Expenditures	(5,338,783.00)	(5,304,467.00)	(2,636,204.63)	2,668,262.37
Other Financing Sources (Uses)				
Transfers In	4,384,906.00	4,473,720.00	4,531,623.68	57,903.68
Insurance Loss Recoveries		21,788.00	21,788.21	0.21
Transfers Out	(122,369.00)	(7,369.00)	(1,717.39)	5,651.61
Total Other Financing Sources (Uses)	4,262,537.00	4,488,139.00	4,551,694.50	63,555.50
Extraordinary Items				
Loss Recoveries				
Net Change in Fund Balances	(1,076,246.00)	(816,328.00)	1,915,489.87	2,731,817.87
Fund Balances, July 1, 2006	13,472,985.10	13,472,985.10	13,472,985.10	
Fund Balances, June 30, 2007	\$ 12,396,739.10	\$ 12,656,657.10	\$ 15,388,474.97	\$ 2,731,817.87

EXHIBIT - L

Special Revenue - Miscellaneous Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 17,500,000.00	\$ 14,285,000.00	\$ 2,951,330.33	\$ (11,333,669.67)
	765,000.00	213,962.78	(551,037.22)
	<u>2,572,000.00</u>	<u>2,952,091.48</u>	<u>380,091.48</u>
<u>17,500,000.00</u>	<u>17,622,000.00</u>	<u>6,117,384.59</u>	<u>(11,504,615.41)</u>
	6,057.00	5,998.87	58.13
	100.00	58.02	41.98
12,000.00	45,315.00	42,172.55	3,142.45
	200.00	147.58	52.42
107,847,000.00	75,563,404.36	6,797,796.78	68,765,607.58
33,000.00	469,011.00	467,609.62	1,401.38
	1,600.00		1,600.00
200,000.00	376,000.00	299,193.98	76,806.02
	50.00	41.18	8.82
	38,129.00	38,127.95	1.05
	<u>47,907,968.64</u>	<u>47,907,968.64</u>	
<u>108,092,000.00</u>	<u>124,407,835.00</u>	<u>55,559,115.17</u>	<u>68,848,719.83</u>
<u>(90,592,000.00)</u>	<u>(106,785,835.00)</u>	<u>(49,441,730.58)</u>	<u>57,344,104.42</u>
20,450,000.00	22,950,000.00	18,270,727.57	(4,679,272.43)
<u>20,450,000.00</u>	<u>22,950,000.00</u>	<u>18,270,727.57</u>	<u>(4,679,272.43)</u>
40,000,000.00	37,378,000.00	22,000,000.00	(15,378,000.00)
(30,142,000.00)	(46,457,835.00)	(9,171,003.01)	37,286,831.99
<u>25,657,500.70</u>	<u>25,657,500.70</u>	<u>51,688,267.02</u>	<u>26,030,766.32</u>
<u>\$ (4,484,499.30)</u>	<u>\$ (20,800,334.30)</u>	<u>\$ 42,517,264.01</u>	<u>\$ 63,317,598.31</u>

FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



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

We have audited the financial statements of the governmental activities, the discretely presented component unit, 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, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Charlotte County District School Board's financial statements. The financial statements of the school internal funds and the Charlotte Local Education Foundation, Inc., 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*** and in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

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

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

Respectfully submitted,



David W. Martin, CPA
March 17, 2008



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

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

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

In our opinion the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** as Federal Awards Finding No. 1.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

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

Respectfully submitted,



David W. Martin, CPA
March 17, 2008

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services: Food Donation	10.550(2)	None	\$ 372,057.58
Florida Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	321	678,571.20
National School Lunch Program	10.555	300	2,818,702.71
Summer Food Service Program for Children	10.559	323	88,287.94
Total Child Nutrition Cluster			3,585,561.85
Total United States Department of Agriculture			3,957,619.43
Federal Mediation & Conciliation Service:			
Direct:			
Labor Management Cooperation	34.002	N/A	17,173.89
United States Environmental Protection Agency:			
Direct:			
Environmental Education Grants	66.951	N/A	7,790.89
United States Department of Education:			
Direct:			
Student Financial Assistance Programs Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	8,105.00
Federal Pell Grant Program	84.063	N/A	170,157.00
Total Student Financial Assistance Cluster			178,262.00
Indirect:			
Florida Department of Education: Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	4,079,604.46
Special Education - Preschool Grants	84.173	267	97,595.80
Total Special Education Cluster			4,177,200.26
Adult Education - State Grant Program	84.002	191, 193	367,221.09
Title I Grants to Local Educational Agencies	84.010	212,222, 223, 228	2,205,894.80
Vocational Education - Basic Grants to States	84.048	151	194,508.24
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	73,380.18
Education for Homeless Children and Youth	84.196	127	128,053.00
Even Start - State Educational Agencies	84.213	219	153,097.42
State Grants for Innovative Programs	84.298	113	25,163.08
Education Technology State Grants	84.318	121	35,300.54
English Language Acquisition Grants	84.365	102	29,912.35
Improving Teacher Quality State Grants	84.367	224	485,185.59
Hurricane Education Recovery	84.938	None	13,228.19
Total Indirect			7,888,144.74
Total United States Department of Education			8,066,406.74
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (3)	N/A	4,307,168.50
Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		5,371,390.33
Florida Department of Education: Homeland Security Grant Program	97.067	None	299.98
Total Department of Homeland Security			5,371,690.31
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	150,331.78
Total Expenditures of Federal Awards			\$ 21,878,181.54

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2006-07 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - Food Donation. Represents the amount of donated food received during the 2006-07 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) Head Start. Expenditures include Head Start PA-22 \$323,272.91 and PA-20 \$11,553.96 and Early Head Start PA-25 \$183,861.91 and PA-11 \$2,134.55 for grant number/program year 04CH3161/40 and Head Start PA-22 \$1,310,537.27 and PA-20 \$14,020.61 and Early Head Start PA-25 \$442,842.15 and PA-11 \$4,424.14 for grant number/program year 04CH3161/41. Also, PA-22 Construction Grant \$2,014,521.00, grant number/program year 04WH0006/01.

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SUMMARY OF AUDITOR'S RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Charlotte County District School Board for the fiscal year ended June 30, 2007:

- An unqualified opinion was issued on the financial statements.
- No matters involving the internal control and its operation were considered to be significant deficiencies.
- No noncompliance was reported which is material to the financial statements.
- No significant deficiencies in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- An audit finding on Federal programs is listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)] and Head Start (CFDA No. 93.600).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$656,345.45.
- The low risk entity threshold was applied.

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

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Health and Human Services

Award Number: 04WH0006/01

Program: Head Start (CFDA No. 93.600)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Suspension and Debarment. Improvements were needed in District procedures for ensuring contractors and subcontractors have not been suspended or debarred. On September 15, 2006, the District was awarded a Head Start grant, totaling \$2.5 million, from the Department of Health and Human Services to aid in the construction of the Baker Center Replacement School. The District entered into an agreement for the construction of the School and had Head Start grant expenditures totaling approximately \$2 million during the 2006-07 fiscal year relating to the contract. The contract contained the Davis-Bacon Act required provisions that the contractor and subcontractors pay prevailing wages, and District records contained evidence to document that the contractor paid wages that exceeded the prevailing wages for the area.

Contrary to the requirements of United States Office of Management and Budget *Circular A-133 Compliance Supplement*, the District did not require the contractor to certify that the contractor and its principals were not suspended or debarred from receiving Federal funds, nor did the District verify the contractor's suspension or debarment status by checking the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs* issued by the General Services Administration (GSA). While we were able to verify that the contractor and a test of six subcontractors were not on the list of those suspended or debarred, it remains the responsibility of the District, when using Federal moneys, to ensure that its construction contractors are not suspended or debarred from receiving Federal funds.

Recommendation: The District should enhance its procedures to ensure that contractors and subcontractors are not suspended or debarred from receiving Federal funds.

District Contact Person: Greg Griner, Chief Financial Officer

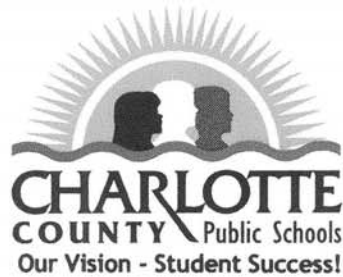
*CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2007-153		No prior Federal audit findings.		

MANAGEMENT RESPONSE SECTION

David E. Gayler, Ph.D.
Superintendent



School Board

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

March 11, 2008

Mr. David Martin
Auditor General
111 West Madison Street
G74 Claude Pepper Building
Tallahassee, Florida 32302

Dear Mr. Martin:

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

Finding No.1 - Information Technology - User Account Management

We concur with your finding that subsequent to the audit period corrective action has already been implemented. Once an employee leaves CCPS access to system and application software is automatically discontinued.

Finding No. 2 - Fingerprinting and Background Checks

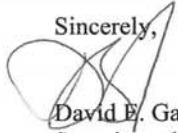
As we conveyed to your staff we outright reject your assertion that "The district did not establish an adequate process during the 2006-07 fiscal year for performing the required background screenings for non-instructional personnel." While our plan does not mirror the one size fits all FDOE recommendation, we have in collaboration with our employee union designed and are implementing our plan to meet the statutory requirements no later than July 1, 2009.

Finding No. 3 - Procurement and Suspension and Debarment

We are pleased that your staff was able to verify, just as we had previously done, that none of our contractors were on the *List of Parties Excluded from Federal Procurement or Nonprocurement Programs*. We do acknowledge that the process in place for reviewing the list did not include documenting the online site visit which we will do in the future.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'David E. Gayler', written over a light blue circular stamp.

David E. Gayler, Ph.D
Superintendent of Schools