

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

Charlotte County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District</i>
	<u><i>No.</i></u>
<i>Lee Swift, Vice-Chair to 11-19-07, Chair from 11-20-07</i>	<i>1</i>
<i>Alleen Miller</i>	<i>2</i>
<i>Andrea Messina, Chair to 11-19-07</i>	<i>3</i>
<i>Sue Sifrit</i>	<i>4</i>
<i>Barbara Rendell, Vice-Chair from 11-20-07</i>	<i>5</i>

Dr. David E. Gayler, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Becky D. Grode, CPA, and the audit was supervised by Cathi M. Davis, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by 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 at 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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: Improvements are needed in procedures to properly report account balances on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Controls could be enhanced to comply with Section 119.071(5)(a), Florida Statutes, regarding the collection and use of social security numbers.

Finding No. 3: The District had not developed a formal fraud policy to provide guidance to employees for communicating and reporting known or suspected fraud to the appropriate authority.

Finding No. 4: Improvements are needed in controls over high school diploma processing.

Finding No. 5: Information technology (IT) access privileges for terminating employees were not always canceled timely.

Finding No. 6: The District had not implemented a comprehensive security awareness training program to emphasize the importance of preserving the integrity, confidentiality, and availability of data and IT resources.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I and Disaster Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit 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 internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic 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 laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2008-149.

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, 2008. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement 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, 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*.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 20 percent of the assets and 67 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 furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and discretely presented component unit, are 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, 2008, 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, 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 3 through 12) and the **BUDGETARY COMPARISON SCHEDULE** (shown as Exhibit – I) 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 4, 2009

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, 2008. 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 13 through 48.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- In total, net assets increased \$50,213,461.78, which represents a 15.3 percent increase from the 2006-07 fiscal year.
- General revenues and extraordinary items total \$206,415,102.12, or 88.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$26,385,236.53, or 11.3 percent.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$15,637,410.79 at June 30, 2008, or 11.0 percent of total General Fund expenditures.
- During the current year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$2,170,054.38. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,915,489.87.

NON-FINANCIAL HIGHLIGHTS

The District's student enrollment decreased by 108 students, or 0.6 percent from the prior year.

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, 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 including the Charlotte School Board Leasing Corporation and the Charlotte Local Education Foundation, Inc. Although legally separate organizations, the component units are included in this report because they 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 major Special Revenue Funds 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 predominately 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, 2008, compared to net assets as of June 30, 2007:

	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-08	6-30-07		
	<u>6-30-08</u>	<u>6-30-07</u>		
Current and Other Assets	\$ 86,994,919.30	\$ 126,541,134.30	\$ (39,546,215.00)	-31%
Capital Assets	<u>331,417,415.85</u>	<u>240,871,479.61</u>	<u>90,545,936.24</u>	38%
Total Assets	<u>418,412,335.15</u>	<u>367,412,613.91</u>	<u>50,999,721.24</u>	14%
Long-Term Liabilities	21,163,968.64	23,578,418.81	(2,414,450.17)	-10%
Other Liabilities	<u>19,868,897.40</u>	<u>16,668,187.77</u>	<u>3,200,709.63</u>	19%
Total Liabilities	<u>41,032,866.04</u>	<u>40,246,606.58</u>	<u>786,259.46</u>	2%
Net Assets:				
Invested in Capital Assets - Net of Related Debt	321,735,415.85	227,822,479.61	93,912,936.24	41%
Restricted	47,902,577.74	90,809,692.64	(42,907,114.90)	-47%
Unrestricted	<u>7,741,475.52</u>	<u>8,533,835.08</u>	<u>(792,359.56)</u>	-9%
Total Net Assets	<u>\$ 377,379,469.11</u>	<u>\$ 327,166,007.33</u>	<u>\$ 50,213,461.78</u>	15%

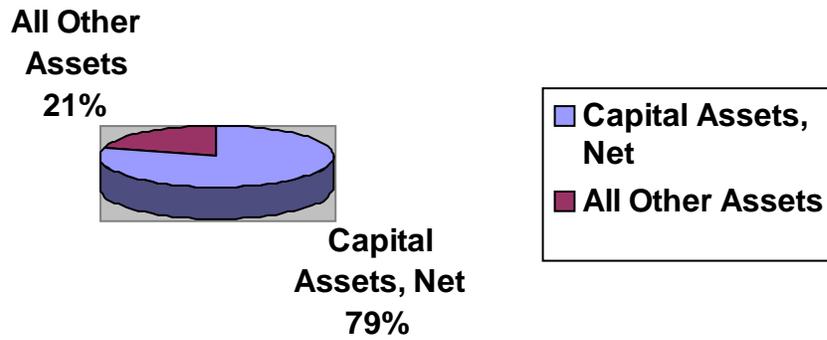
The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for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

The restricted portion of the District’s net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets 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).

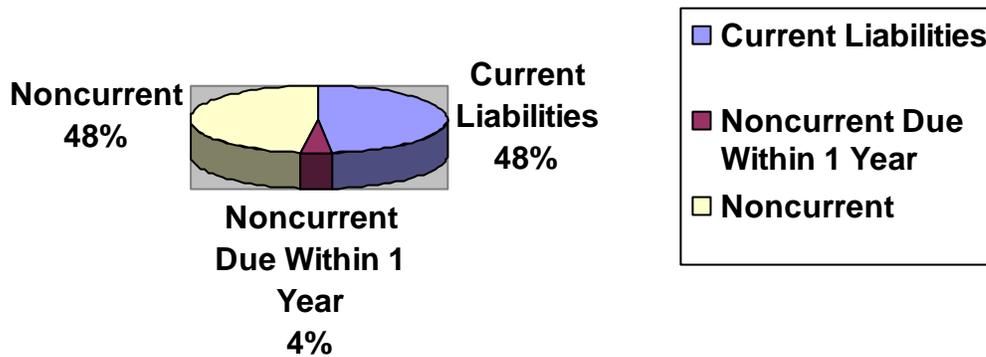
Total assets, distinguishing between capital and other assets:

Total Assets



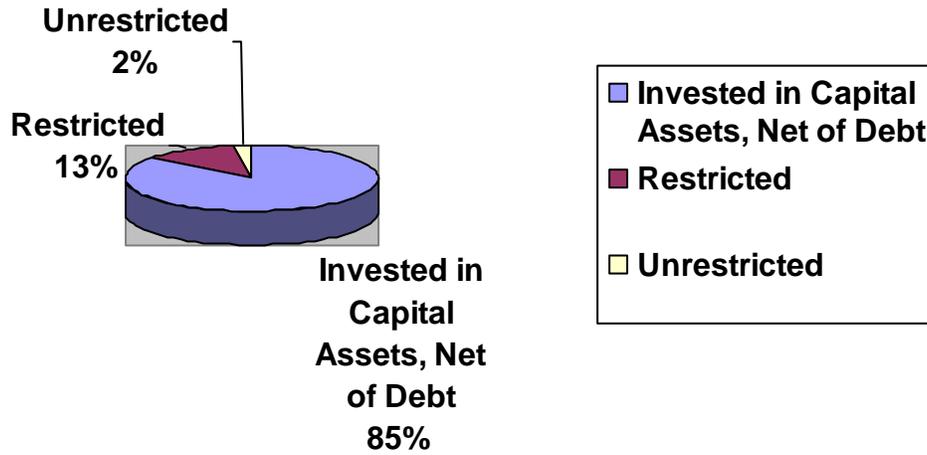
Total liabilities, distinguishing between long-term and other liabilities:

Total Liabilities



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

Total Net Assets



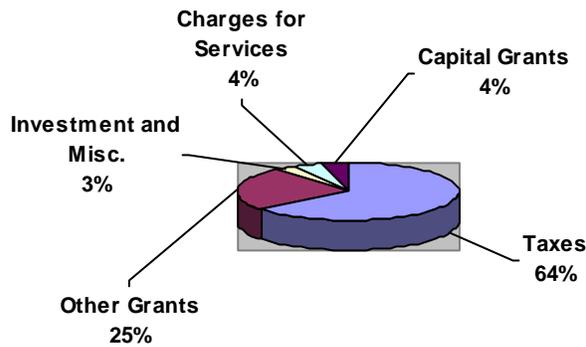
The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

	Operating Results for the Year			
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-08	6-30-07		
Program Revenues:				
Charges for Services	\$ 9,167,564.44	\$ 9,391,472.11	\$ (223,907.67)	-2%
Operating Grants and Contributions	8,442,690.94	7,713,617.54	729,073.40	9%
Capital Grants and Contributions	8,774,981.15	2,447,428.24	6,327,552.91	259%
General Revenues:				
Property Taxes, Levied for Operational Purposes	94,481,268.10	92,943,405.63	1,537,862.47	2%
Property Taxes, Levied for Debt Service	948,244.96	3,283,920.41	(2,335,675.45)	-71%
Property Taxes, Levied for Capital Projects	44,980,168.37	46,297,074.07	(1,316,905.70)	-3%
Local Sales Tax		1,100,000.00	(1,100,000.00)	-100%
Grants and Contributions Not Restricted to Specific Programs	45,200,355.23	47,838,047.28	(2,637,692.05)	-6%
Unrestricted Investment Earnings	4,171,816.27	6,952,986.93	(2,781,170.66)	-40%
Miscellaneous	2,843,092.56	3,071,087.82	(227,995.26)	-7%
Special Items		6,065,070.61	(6,065,070.61)	-100%
Extraordinary Item	13,790,156.63	7,086,550.20	6,703,606.43	95%
Total Revenues and Extraordinary Item	232,800,338.65	234,190,660.84	(1,390,322.19)	-1%
Functions/Program Expenses:				
Instruction	89,838,850.51	77,704,176.86	12,134,673.65	16%
Pupil Personnel Services	9,681,094.57	8,671,800.07	1,009,294.50	12%
Instructional Media Services	2,682,403.27	2,258,270.37	424,132.90	19%
Instruction and Curriculum Development Services	6,836,284.63	6,036,271.63	800,013.00	13%
Instructional Staff Training Services	2,324,979.34	1,799,841.77	525,137.57	29%
Instruction Related Technology	694,597.66	426,416.37	268,181.29	63%
Board of Education	915,017.33	660,575.99	254,441.34	39%
General Administration	646,921.95	575,399.33	71,522.62	12%
School Administration	9,429,327.37	8,179,409.30	1,249,918.07	15%
Facilities Acquisition and Construction	6,244,167.31		6,244,167.31	100%
Fiscal Services	1,134,318.17	949,295.29	185,022.88	19%
Food Services	8,459,907.30	7,192,984.67	1,266,922.63	18%
Central Services	8,334,038.47	19,313,865.89	(10,979,827.42)	-57%
Pupil Transportation Services	7,032,739.91	6,124,412.05	908,327.86	15%
Operation of Plant	12,589,470.43	11,888,349.12	701,121.31	6%
Maintenance of Plant	3,944,049.89	3,635,960.23	308,089.66	8%
Administrative Technology Services	1,288,195.81	1,185,206.22	102,989.59	9%
Community Services	484,464.99	898,450.91	(413,985.92)	-46%
Interest on Long-Term Debt	302,979.04	782,876.97	(479,897.93)	-61%
Unallocated Depreciation Expense	9,723,068.92	7,824,089.15	1,898,979.77	24%
Total Functions/Program Expenses	\$ 182,586,876.87	\$ 166,107,652.19	\$ 16,479,224.68	10%

The largest revenue source for the 2007-08 fiscal year is from the property tax levy, which resulted in total revenue for operational, debt service, and capital purposes of \$140,409,681.43, or 64 percent of total revenues before extraordinary items. Revenues from State sources for current operations are primarily received through the Florida Education 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. Revenue from State sources for current operations total \$45,665,470.08 for the 2007-08 fiscal year, of which \$7,048,540.00 is attributable to FEFP funding.

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

Total Revenues By Source Before Extraordinary Items

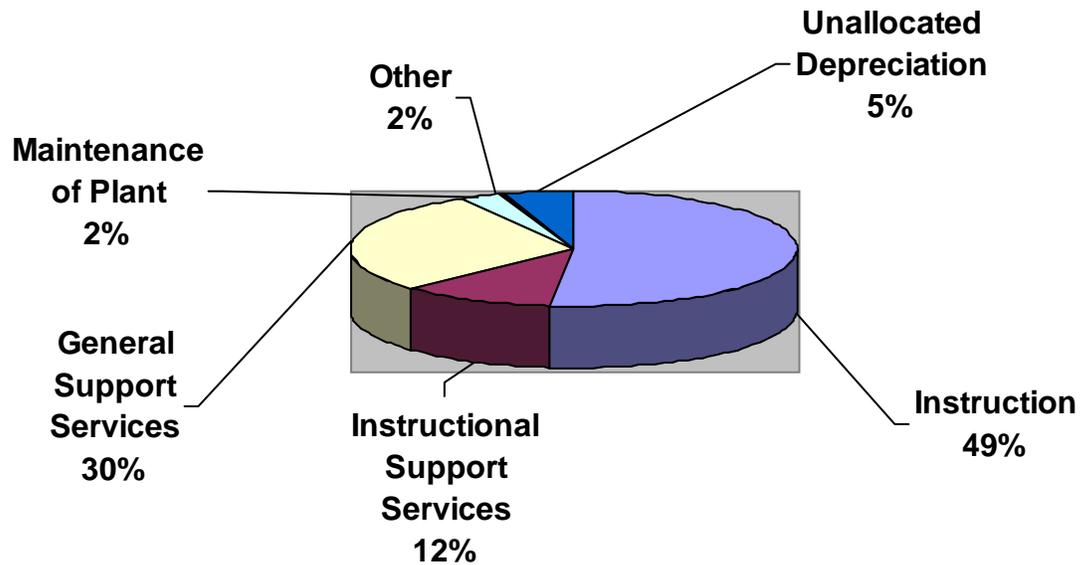


Instructional expenses represent 49 percent of total governmental expenses in the 2007-08 fiscal year. Instructional expenses increased by \$12,134,673.65, or 16 percent from the previous year due mainly to an across-the-board salary increase and the related increase in the District’s required contributions to the Florida Retirement System.

Facilities acquisition and construction increased by \$6,244,167.31, which is a result of the acquisition of noncapitalizable expenses related to hurricane recovery. The prior year hurricane recovery expenditures were either capitalized or categorized as extraordinary items.

A table of expenses by function is shown:

Total Expenses by Function



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$15,637,410.79, while the total fund balance is \$17,558,529.35. The unreserved fund balance increased by \$2,124,505.86, while the total fund balance increased by \$2,170,054.38 during the fiscal year. Key factors in this growth are as follows:

- State categorical revenues increased by 17 percent.
- Total expenditures increased by \$7,788,651.21, or 6 percent, due mainly to across-the-board salary increases.

The Special Revenue – Miscellaneous Fund has a total fund balance of \$11,581,510.74, 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 fund balance decreased \$30,935,753.27 from the 2006-07 fiscal year due to the continued construction and recovery efforts related to Hurricane Charley.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$29,910,183.91, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance declined \$9,246,329.07, due, in part, to transfers of funds to the Special Revenue – Miscellaneous Fund to assist with Hurricane Charley recovery efforts.

GENERAL FUND BUDGETARY HIGHLIGHTS

In analyzing the budget variances between the original and final budgets, there were no significant variations in revenue or expenses. 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. During the year, the District completed construction on the Baker Center, Peace River Elementary School, and Neil Armstrong Elementary School. A fourth school will open at the beginning of the next school year. These facilities are being replaced using funds from insurance proceeds, along with help from FEMA and the State of Florida.

Under District policy, school buses are to be replaced every 13 years. Total cost of new buses for the current year totaled \$1,871,151.

LONG-TERM DEBT

The District did not issue any new long-term debt during the 2007-08 fiscal year. At June 30, 2008, the District has total long-term debt outstanding of \$9,694,581.56, which is comprised of Qualified Zone Academy and State School Bonds. During the year, retirement of debt amounted to \$3,385,124.87. Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

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

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Charlotte County District School Board, 1445 Education Way, Port Charlotte, FL 33948.

BASIC FINANCIAL STATEMENTS

**EXHIBIT - A
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash	\$ 84,784.04	\$ 137,828.00
Investments	81,502,498.74	
Accounts Receivable	20,490.95	9,636.00
Prepaid Items	50,400.00	
Due from Other Agencies	3,597,300.46	
Inventories	<u>1,480,229.72</u>	<u>2,700.00</u>
Total Current Assets	<u>86,735,703.91</u>	<u>150,164.00</u>
Noncurrent Assets:		
Cash with Fiscal Agent	246,633.83	
Deferred Charges	12,581.56	
Capital Assets:		
Nondepreciable Capital Assets	91,739,682.29	
Depreciable Capital Assets, Net	<u>239,677,733.56</u>	<u>366.00</u>
Total Noncurrent Assets	<u>331,676,631.24</u>	<u>366.00</u>
TOTAL ASSETS	<u>\$ 418,412,335.15</u>	<u>\$ 150,530.00</u>
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	\$ 2,160,145.66	\$
Payroll Deductions and Withholdings	916,991.10	
Accounts Payable	3,196,829.82	47.00
Construction Contracts Payable	9,064,084.38	
Construction Contracts Payable - Retainage	4,143,480.42	
Due to Other Agencies	185,824.47	
Deposits Payable	88,654.22	
Accrued Interest Payable	112,887.33	
Accrued Expense		4,500.00
Long-Term Liabilities -- Portion Due Within One Year:		
Bonds Payable	365,000.00	
Compensated Absences Payable	<u>1,162,341.37</u>	
Total Current Liabilities:	<u>21,396,238.77</u>	<u>4,547.00</u>
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Qualified Zone Academy Bonds Payable	5,000,000.00	
Bonds Payable	4,329,581.56	
Compensated Absences Payable	9,972,172.71	
Postemployment Healthcare Benefits Payable	<u>334,873.00</u>	
Total Noncurrent Liabilities	<u>19,636,627.27</u>	
Total Liabilities	<u>41,032,866.04</u>	<u>4,547.00</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	321,735,415.85	366.00
Restricted for:		
State Categorical Programs	532,725.00	
Debt Service	377,367.41	
Capital Projects	34,190,982.84	
Other Purposes	12,801,502.49	71,538.00
Unrestricted	<u>7,741,475.52</u>	<u>74,079.00</u>
Total Net Assets	<u>377,379,469.11</u>	<u>145,983.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 418,412,335.15</u>	<u>\$ 150,530.00</u>

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 89,838,850.51	\$ 746,352.94	\$	\$
Pupil Personnel Services	9,681,094.57			
Instructional Media Services	2,682,403.27			
Instruction and Curriculum Development Services	6,836,284.63			
Instructional Staff Training Services	2,324,979.34			
Instruction Related Technology	694,597.66			
Board of Education	915,017.33			
General Administration	646,921.95			
School Administration	9,429,327.37			
Facilities Acquisition and Construction	6,244,167.31			7,118,361.86
Fiscal Services	1,134,318.17			
Food Services	8,459,907.30	3,445,657.36	4,690,555.94	
Central Services	8,334,038.47	4,679,182.26		
Pupil Transportation Services	7,032,739.91	296,371.88	3,752,135.00	
Operation of Plant	12,589,470.43			
Maintenance of Plant	3,944,049.89			1,066,800.00
Administrative Technology Services	1,288,195.81			
Community Services	484,464.99			
Interest on Long-Term Debt	302,979.04			589,819.29
Unallocated Depreciation/Amortization Expense	9,723,068.92			
Total Primary Government	\$ 182,586,876.87	\$ 9,167,564.44	\$ 8,442,690.94	\$ 8,774,981.15
Component Unit				
Charlotte Local Educational Foundation, Inc.	\$ 342,750.00	\$	\$	\$
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Debt Service				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Extraordinary Item:				
Loss Recoveries				
Total General Revenues and Extraordinary Item				
Change in Net Assets				
Net Assets - July 1, 2007				
Net Assets - June 30, 2008				

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (89,092,497.57)	\$
(9,681,094.57)	
(2,682,403.27)	
(6,836,284.63)	
(2,324,979.34)	
(694,597.66)	
(915,017.33)	
(646,921.95)	
(9,429,327.37)	
874,194.55	
(1,134,318.17)	
(323,694.00)	
(3,654,856.21)	
(2,984,233.03)	
(12,589,470.43)	
(2,877,249.89)	
(1,288,195.81)	
(484,464.99)	
286,840.25	
<u>(9,723,068.92)</u>	
<u>(156,201,640.34)</u>	
	<u>(342,750.00)</u>
94,481,268.10	
948,244.96	
44,980,168.37	
45,200,355.23	326,664.00
4,171,816.27	1,100.00
2,843,092.56	32,500.00
<u>13,790,156.63</u>	
<u>206,415,102.12</u>	<u>360,264.00</u>
50,213,461.78	17,514.00
<u>327,166,007.33</u>	<u>128,469.00</u>
<u>\$ 377,379,469.11</u>	<u>\$ 145,983.00</u>

**EXHIBIT - C
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS**

	General Fund	Special Revenue - Miscellaneous Fund
ASSETS		
Cash	\$ 65,377.55	\$
Investments	18,018,651.33	24,794,322.03
Cash with Fiscal Agent		
Accounts Receivable	18,985.43	
Prepaid Items	50,400.00	
Due from Other Agencies	1,930,176.14	
Inventories	1,099,902.38	
TOTAL ASSETS	\$ 21,183,492.83	\$ 24,794,322.03
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	\$ 1,942,704.96	\$ 6,062.04
Payroll Deductions & Withholdings	756,186.68	2,999.12
Accounts Payable	926,071.84	
Construction Contracts Payable		9,064,084.38
Construction Contracts Payable - Retainage		4,139,665.75
Due to Other Agencies		
Deposits Payable		
Total Liabilities	3,624,963.48	13,212,811.29
Fund Balances:		
Reserved for State Categorical Programs	532,725.00	
Reserved for Encumbrances	288,491.18	11,581,510.74
Reserved for Inventories	1,099,902.38	
Reserved for Debt Service		
Reserved for Other Purposes		
Unreserved, Reported in:		
General Fund	15,637,410.79	
Special Revenue Funds		
Capital Projects Funds		
Total Fund Balances	17,558,529.35	11,581,510.74
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,183,492.83	\$ 24,794,322.03

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

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 30,951,089.75	\$ 1,600.00	\$ 66,977.55
	5,398,066.67	79,162,129.78
	246,633.83	246,633.83
	1,505.52	20,490.95
744,493.42	920,593.90	50,400.00
	380,327.34	3,595,263.46
<u>\$ 31,695,583.17</u>	<u>\$ 6,948,727.26</u>	<u>\$ 84,622,125.29</u>
\$ 8,368.51	\$ 194,916.79	\$ 2,152,052.30
13,328.80	134,536.12	907,050.72
1,759,887.28	503,905.93	3,189,865.05
3,814.67		9,064,084.38
	185,824.47	4,143,480.42
	51,385.86	185,824.47
<u>1,785,399.26</u>	<u>1,070,569.17</u>	<u>51,385.86</u>
4,787,549.07	209,517.37	532,725.00
	380,327.34	16,867,068.36
	377,367.41	1,480,229.72
	18,863.14	377,367.41
		18,863.14
<u>25,122,634.84</u>	<u>4,255,755.99</u>	<u>15,637,410.79</u>
29,910,183.91	5,878,158.09	636,326.84
		29,378,390.83
<u>\$ 31,695,583.17</u>	<u>\$ 6,948,727.26</u>	<u>\$ 84,622,125.29</u>

**EXHIBIT - D
 CHARLOTTE COUNTY
 DISTRICT SCHOOL BOARD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008**

Total Fund Balances - Governmental Funds \$ 64,928,382.09

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

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. 331,417,415.85

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. 2,297,945.58

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. 12,581.56

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. (112,887.33)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ 4,694,581.56	
Qualified Zone Academy Bonds Payable	5,000,000.00	
Postemployment Healthcare Benefits Payable	334,873.00	
Compensated Absences Payable	11,134,514.08	<u>(21,163,968.64)</u>

Total Net Assets - Governmental Activities \$ 377,379,469.11

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, 2008

	General Fund	Special Revenue - Miscellaneous Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 179,981.08	\$
Federal Through State	466,221.98	
Federal Through Local	332,688.78	
State	36,875,150.09	
Local:		
Taxes	94,481,268.10	
Miscellaneous	4,159,145.20	961,848.23
Total Revenues	136,494,455.23	961,848.23
Expenditures		
Current - Education:		
Instruction	84,533,571.98	
Pupil Personnel Services	8,832,912.31	
Instructional Media Services	2,394,144.44	55,953.12
Instruction and Curriculum Development Services	4,119,950.99	
Instructional Staff Training Services	1,360,383.52	
Instruction Related Technology	694,597.66	
Board of Education	912,309.24	
General Administration	372,658.81	
School Administration	8,828,237.68	
Facilities Acquisition and Construction		6,457,900.63
Fiscal Services	1,105,216.63	37,302.36
Food Services		
Central Services	3,598,427.58	271,046.05
Pupil Transportation Services	6,980,616.95	
Operation of Plant	12,549,419.25	
Maintenance of Plant	3,947,875.32	
Administrative Technology Services	1,301,998.23	
Community Services	488,778.75	
Fixed Capital Outlay:		
Facilities Acquisition and Construction		85,176,383.30
Other Capital Outlay		53,017.83
Debt Service:		
Principal		
Interest and Fiscal Charges		
Total Expenditures	142,021,099.34	92,051,603.29
Excess (Deficiency) of Revenues Over Expenditures	(5,526,644.11)	(91,089,755.06)
Other Financing Sources (Uses)		
Transfers In	7,420,739.24	39,541,643.00
Proceeds from Sale of Capital Assets	19,659.30	
Insurance Loss Recoveries	260,391.94	
Transfers Out	(4,091.99)	
Total Other Financing Sources (Uses)	7,696,698.49	39,541,643.00
Extraordinary Item		
Loss Recoveries		20,612,358.79
Net Change in Fund Balances	2,170,054.38	(30,935,753.27)
Fund Balances, July 1, 2007	15,388,474.97	42,517,264.01
Fund Balances, June 30, 2008	\$ 17,558,529.35	\$ 11,581,510.74

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

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 494,733.00	\$ 2,419,413.75	\$ 2,599,394.83
	13,121,317.25	14,082,272.23
	8,790,319.99	332,688.78
		45,665,470.08
44,980,168.37	948,244.96	140,409,681.43
<u>1,865,461.19</u>	<u>3,944,077.94</u>	<u>10,930,532.56</u>
<u>47,340,362.56</u>	<u>29,223,373.89</u>	<u>214,020,039.91</u>
	5,097,675.95	89,631,247.93
	856,466.20	9,689,378.51
	31,084.37	2,481,181.93
	2,761,109.78	6,881,060.77
	957,356.08	2,317,739.60
		694,597.66
		912,309.24
	278,222.12	650,880.93
	392,664.30	9,220,901.98
5,384,712.00		11,842,612.63
	27,159.17	1,169,678.16
	8,486,787.32	8,486,787.32
	3,475.58	3,872,949.21
	32,881.39	7,013,498.34
	25,753.11	12,575,172.36
		3,947,875.32
		1,301,998.23
		488,778.75
10,875,056.82	469,201.62	96,520,641.74
4,273,721.00		4,326,738.83
	3,410,000.00	3,410,000.00
	<u>347,299.87</u>	<u>347,299.87</u>
<u>20,533,489.82</u>	<u>23,177,136.86</u>	<u>277,783,329.31</u>
<u>26,806,872.74</u>	<u>6,046,237.03</u>	<u>(63,763,289.40)</u>
47,155.00	576,425.39	47,585,962.63
		19,659.30
		260,391.94
<u>(36,100,356.81)</u>	<u>(11,481,513.83)</u>	<u>(47,585,962.63)</u>
<u>(36,053,201.81)</u>	<u>(10,905,088.44)</u>	<u>280,051.24</u>
		20,612,358.79
(9,246,329.07)	(4,858,851.41)	(42,870,879.37)
<u>39,156,512.98</u>	<u>10,737,009.50</u>	<u>107,799,261.46</u>
<u>\$ 29,910,183.91</u>	<u>\$ 5,878,158.09</u>	<u>\$ 64,928,382.09</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, 2008

Net Change in Fund Balances - Governmental Funds \$ (42,870,879.37)

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.	90,545,936.24
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 of repayments in the current period.	3,410,000.00
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.	(635,801.70)
The net changes in the liability for postemployment healthcare benefits is reported in the government-wide statements, but not the governmental funds statements.	(334,873.00)
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.	(43,000.00)
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. This is the net change in accrued interest in the current period.	33,320.83
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.	108,758.78

Change in Net Assets - Governmental Activities \$ 50,213,461.78

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, 2008

		Governmental Activities - Internal Service Funds
<hr/>		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	17,806.49
Investments		2,340,368.96
Due From Other Agencies		2,037.00
		<hr/>
TOTAL ASSETS	\$	2,360,212.45
		<hr/> <hr/>
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	\$	8,093.36
Payroll Deductions and Withholdings		9,940.38
Accounts Payable		6,964.77
Deposits Payable		37,268.36
		<hr/>
Total Current Liabilities		62,266.87
		<hr/>
Total Liabilities		62,266.87
		<hr/>
NET ASSETS		
Unrestricted		2,297,945.58
		<hr/>
Total Net Assets		2,297,945.58
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	2,360,212.45
		<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, 2008

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for Services	\$	377,444.00
Charges for Sales		25,646.00
Premium Revenues		17,218,276.93
Total Operating Revenues		17,621,366.93
OPERATING EXPENSES		
Salaries		328,261.48
Employee Benefits		112,597.54
Purchased Services		16,981,945.36
Energy Services		8,187.24
Materials and Supplies		31,748.24
Capital Outlay		80,148.40
Other Expenses		628.50
Total Operating Expenses		17,543,516.76
Operating Income		77,850.17
NONOPERATING REVENUES		
Interest		30,908.61
Change in Net Assets		108,758.78
Total Net Assets, July 1, 2007		2,189,186.80
Total Net Assets, June 30, 2008	\$	2,297,945.58

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, 2008

		Governmental Activities - Internal Service Funds
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$	17,618,965.02
Cash Payments to Suppliers for Goods and Services		(17,101,418.76)
Cash Payments to Employees for Services		(438,540.25)
		<hr/>
Net Cash Provided by Operating Activities		79,006.01
		<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(17,413,634.75)
Proceeds from Disposition of Investments		17,305,064.25
Interest Income		30,908.61
		<hr/>
Net Cash Used by Investing Activities		(77,661.89)
		<hr/>
Net Increase in Cash and Cash Equivalents		1,344.12
Cash and Cash Equivalents, Beginning		16,462.37
		<hr/>
Cash and Cash Equivalents, Ending	\$	17,806.49
		<hr/> <hr/>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$	77,850.17
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Other Receivables		851.00
Increase in Due From Other Agencies		(2,037.00)
Increase in Payroll Tax Liabilities		1,451.24
Increase in Accounts Payable		1,238.98
Increase in Salaries and Benefits Payable		867.53
Decrease in Deposits Payable		(1,215.91)
		<hr/>
Total Adjustments		1,155.84
		<hr/>
Net Cash Provided by Operating Activities	\$	79,006.01
		<hr/> <hr/>

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, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>2,301,105.77</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>2,301,105.77</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, 2008

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 (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 (Foundation). The Foundation is a separate not-for-profit corporation organized and operated as a direct support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. The Foundation is considered a component unit of the District because of the nature and significance of the relationship with 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, 2008. 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

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is reported as unallocated.

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

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

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

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

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

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's 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 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 Pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund.

EXHIBIT - K (Continued)
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The District’s investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District’s investments in the Fund B Surplus Funds Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. 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.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
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➤ **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.

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 liabilities for the current year are reported in a subsequent note.

➤ **State Revenue Sources**

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

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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 2007 tax levy on September 11, 2007. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are 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.

EXHIBIT - K (Continued)
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- 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, 2008, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration:		
Local Government Surplus Funds Trust Fund Investment Pool (1)	20.22 Day Average	\$ 46,349,996.89
Fund B Surplus Funds Trust Fund	9.22 Year Average	2,280,368.73
Debt Service Accounts	6 Months	130,733.58
Columbia Treasury Reserve Money Market Fund	27 Day Average	<u>32,741,399.54</u>
Total Investments		<u><u>\$ 81,502,498.74</u></u>

Note (1): At June 30, 2008, certain significant withdrawals from the Local Government Surplus Funds Trust Fund Investment Pool may be subject to a 2 percent redemption fee by the State Board of Administration.

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.
- The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool is based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008.

Credit Risk

- Section 218.415(17), Florida Statutes, 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:

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- 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.
- 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, 2008, the District's investment in the Local Government Surplus Funds Trust Fund Investment Pool is AAAM by Standard & Poor's. The Fund B Surplus Funds Trust Fund is unrated.
- The District's investment in the Columbia Treasury Reserve Money Market Fund is rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

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CHARLOTTE COUNTY
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4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 12,813,413.30	\$	\$	\$ 12,813,413.30
Construction in Progress	59,140,390.68	95,158,243.84	75,372,365.53	78,926,268.99
Total Capital Assets Not Being Depreciated	<u>71,953,803.98</u>	<u>95,158,243.84</u>	<u>75,372,365.53</u>	<u>91,739,682.29</u>
Capital Assets Being Depreciated				
Improvements Other Than Buildings	4,794,115.16	74,941.13		4,869,056.29
Buildings and Fixed Equipment	200,009,773.84	75,372,365.53		275,382,139.37
Furniture, Fixtures, and Equipment	21,747,804.67	3,059,875.19	1,314,128.00	23,493,551.86
Motor Vehicles	10,495,017.20	1,918,780.00	445,765.00	11,968,032.20
Audio Visual Materials and Computer Software	1,276,308.97	3,165.00	179,495.10	1,099,978.87
Total Capital Assets Being Depreciated	<u>238,323,019.84</u>	<u>80,429,126.85</u>	<u>1,939,388.10</u>	<u>316,812,758.59</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,497,678.00	171,167.00		3,668,845.00
Buildings and Fixed Equipment	44,566,085.00	5,500,316.00		50,066,401.00
Furniture, Fixtures, and Equipment	13,810,305.97	2,955,959.59	1,314,128.01	15,452,137.55
Motor Vehicles	6,279,706.00	1,020,691.27	445,764.99	6,854,632.28
Audio Visual Materials and Computer Software	1,251,569.24	20,935.06	179,495.10	1,093,009.20
Total Accumulated Depreciation	<u>69,405,344.21</u>	<u>9,669,068.92</u>	<u>1,939,388.10</u>	<u>77,135,025.03</u>
Total Capital Assets Being Depreciated, Net	<u>168,917,675.63</u>	<u>70,760,057.93</u>	<u></u>	<u>239,677,733.56</u>
Governmental Activities Capital Assets, Net	<u>\$ 240,871,479.61</u>	<u>\$ 165,918,301.77</u>	<u>\$ 75,372,365.53</u>	<u>\$ 331,417,415.85</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totals \$9,669,068.92, is not charged to functions but is shown as unallocated on the statement of activities.

5. QUALIFIED ZONE ACADEMY BONDS

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,

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computers-laptops, and instructional equipment/materials, at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbour Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School.

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

Repayment of the original \$5,000,000 financing proceeds is due in full on November 27, 2022. In connection with the financing, the District entered into a forward delivery agreement dated November 27, 2006, requiring annual deposits of \$242,708.40 (beginning November 27, 2007) into a sinking fund. The forward delivery agreement provides for a guaranteed return of 3.25 percent per annum whereby the required deposits, along with accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. As of June 30, 2008, the paying agent held \$246,633.83.

6. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 390,000.00	4.125 - 4.750	2019
Series 2005B, Refunding	<u>4,160,000.00</u>	5.0	2018
Subtotal	4,550,000.00		
Add: Unamortized Premium on Debt	325,504.24		
Less: Unamortized Difference Between Reacquisition Price and Net Carrying Amount of Old Debt	<u>(180,922.68)</u>		
Total Bonds Payable	<u><u>\$ 4,694,581.56</u></u>		

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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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	584,100.00	435,000.00	149,100.00
2014-2018	2,932,575.00	2,535,000.00	397,575.00
2019	26,187.50	25,000.00	1,187.50
Subtotal	<u>5,890,406.50</u>	<u>4,550,000.00</u>	<u>1,340,406.50</u>
Add: Unamortized Premium on Debt	325,504.24	325,504.24	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	(180,922.68)	(180,922.68)	
Total	<u><u>\$ 6,034,988.06</u></u>	<u><u>\$4,694,581.56</u></u>	<u><u>\$ 1,340,406.50</u></u>

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7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Qualified Zone Academy Bonds	\$ 5,000,000.00	\$	\$	\$ 5,000,000.00	\$
Bonds Payable	8,079,706.43		3,385,124.87	4,694,581.56	365,000.00
Postemployment Healthcare Benefits Payable		564,329.00	229,456.00	334,873.00	
Compensated Absences Payable	10,498,712.38	1,765,789.12	1,129,987.42	11,134,514.08	1,162,341.37
Total Governmental Activities	<u>\$23,578,418.81</u>	<u>\$2,330,118.12</u>	<u>\$4,744,568.29</u>	<u>\$21,163,968.64</u>	<u>\$ 1,527,341.37</u>

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

8. INTERFUND TRANSFERS

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 7,420,739.24	\$ 4,091.99
Special Revenue:		
Miscellaneous	39,541,643.00	
Capital Projects:		
Local Capital Improvement	47,155.00	36,100,356.81
Nonmajor Governmental	<u>576,425.39</u>	<u>11,481,513.83</u>
Total	<u>\$47,585,962.63</u>	<u>\$ 47,585,962.63</u>

Transfers in to the General Fund were to finance various District maintenance projects and equipment purchases, to pay property-casualty insurance premiums and to transfer unrestricted moneys from a land sale. The transfer into the Special Revenue – Miscellaneous Fund was for hurricane repairs. The transfer in to the Local Capital Improvement Fund was to finance various capital improvements. The transfer out of the General Fund was to finance the local non-Federal share of grant expenditures.

EXHIBIT - K (Continued)
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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 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 7,048,540.00
Categorical Educational Programs:	
Class Size Reduction	16,836,254.00
Transportation	3,752,135.00
Instructional Materials	1,824,463.00
School Recognition Funds	1,197,614.00
Voluntary Prekindergarten Program	641,947.23
Excellent Teaching Program	373,547.37
Florida Teachers Lead Program	320,512.00
Classrooms for Kids	2,910,824.00
Class Size Reduction Construction	2,567,027.00
Gross Receipts Tax (Public Education Capital Outlay)	2,498,412.00
Workforce Development Program	2,953,595.00
Discretionary Lottery Funds	818,265.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	706,462.82
Workforce Development Performance Incentive	115,443.00
Miscellaneous	<u>1,100,428.66</u>
 Total	 <u><u>\$45,665,470.08</u></u>

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

EXHIBIT - K (Continued)
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11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	3.611	\$ 84,391,703.00
Basic Discretionary Local Effort	0.510	11,919,072.00
Supplemental Discretionary Local Effort	0.078	1,822,917.00
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.040	930,155.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	46,741,458.00
Total	6.239	\$145,805,305.00

12. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS 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. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Benefits in the Plan vest at six years of service. All vested 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; however, there is a benefit reduction

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
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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.

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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, 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, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 393 District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$2,086,252.87.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

Class	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	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. 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 in which reemployed.

EXHIBIT - K (Continued)
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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, 2006, June 30, 2007, and June 30, 2008, totaled \$6,741,417.85, \$7,466,317.07, and \$7,699,191.14, respectively, which were equal to the required contributions for each fiscal year.

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

13. OTHER POSTEMPLOYMENT BENEFITS

Effective for the 2007-08 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$4,981,327 at the July 1, 2007, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and their eligible dependents are eligible to participate in the health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not currently offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Health Care Benefits Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year,

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72 retirees received postemployment healthcare benefits. The District provided required contributions of \$229,456 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$515,524.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 382,522
Amortization of Unfunded Actuarial Accrued Liability	181,807
Interest on Normal Cost and Amortization	<u> </u>
Annual Required Contribution	564,329
Interest on Net OPEB Obligation	<u> </u>
Adjustment to Annual Required Contribution	<u> </u>
Annual OPEB Cost (Expense)	564,329
Contribution Toward the OPEB Cost	<u>(229,456)</u>
Increase in Net OPEB Obligation	334,873
Net OPEB Obligation, Beginning of Year	<u> </u>
Net OPEB Obligation, End of Year	<u><u>\$ 334,873</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (first year of implementation), was as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/07 2007-08	\$ 564,329	40.7%	\$ 334,873

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,981,327, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,981,327 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$93,787,311, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, disability and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's initial OPEB actuarial valuation as of July 1, 2007, used the entry age actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2008, and the District's 2007-08 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an annual healthcare cost trend rate of 11 percent initially for the 2008-09 fiscal year, reduced by 0.5 percent per year thereafter to an ultimate rate of 5 percent after 11 years. The unfunded

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actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 29 years.

14. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
District-Wide Hazard Mitigation Contractor	\$ 806,068.00	\$ 727,321.42	\$ 78,746.58
Charlotte High School Architect	4,657,398.00	3,666,452.80	990,945.20
Contractor	49,534,101.87	15,249,960.10	34,284,141.77
East Elementary School Architect	650,000.00	601,250.00	48,750.00
Contractor	17,927,716.41	8,590,979.62	9,336,736.79
Punta Gorda Center Architect	905,000.00	124,800.00	780,200.00
Punta Gorda Middle School Architect	1,279,732.00	1,175,572.26	104,159.74
Contractor	<u>29,850,539.01</u>	<u>23,106,385.84</u>	<u>6,744,153.17</u>
	<u>\$ 105,610,555.29</u>	<u>\$ 53,242,722.04</u>	<u>\$ 52,367,833.25</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 Council 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 Educational Risk Management Program (SCERMP) Consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of Consortium. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
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to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for SCERMP is composed of superintendents of all participating districts. Employer's Mutual, Inc., serves as the 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 multi-district 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 reinsure through commercial insurance carriers for workers' compensation and property loss claims in excess of specified amounts. 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 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
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NOTES TO FINANCIAL STATEMENTS
June 30, 2008

17. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2007-08 fiscal year:

	Total	Employee Benefit Program	Special Projects Center
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 2,360,212.45	\$ 2,265,466.34	\$ 94,746.11
Liabilities and Net Assets:			
Accounts Payable	\$ 6,964.77	\$ 5,691.08	\$ 1,273.69
Salaries and Benefits Payable	8,093.36	2,364.06	5,729.30
Payroll Deductions and Withholdings	9,940.38	3,120.55	6,819.83
Deposits Payable	37,268.36	37,268.36	
Unrestricted Net Assets	<u>2,297,945.58</u>	<u>2,217,022.29</u>	<u>80,923.29</u>
Total Liabilities and Net Assets	<u>\$ 2,360,212.45</u>	<u>\$ 2,265,466.34</u>	<u>\$ 94,746.11</u>
Revenues:			
Premium Contributions	\$ 17,218,276.93	\$ 17,218,276.93	\$
Charges for Services	377,444.00		377,444.00
Charges for Sales	25,646.00		25,646.00
Interest Income	<u>30,908.61</u>	<u>19,130.51</u>	<u>11,778.10</u>
Total Revenues	17,652,275.54	17,237,407.44	414,868.10
Total Expenses	<u>(17,543,516.76)</u>	<u>(17,068,365.11)</u>	<u>(475,151.65)</u>
Change in Net Assets	<u>\$ 108,758.78</u>	<u>\$ 169,042.33</u>	<u>\$(60,283.55)</u>

18. NON-FEDERAL SHARE FOR 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 04CH3161/41 with a period ending October 31, 2007, the required amount of non-Federal share is \$134,522.00. For grant number 04CH3161/42 the required amount of non-Federal share during the period November 1, 2007 through June 30, 2008, is \$339,755.00. For grant number

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2008

04WH006/01 the required amount of non-Federal share during the period July 1, 2006 through June 30, 2008 is \$121,370.00.

19. EXTRAORDINARY ITEMS

The following is a summary of financial information as reported in the Statement of Activities for the 2007-08 fiscal year:

Extraordinary Items:	
Loss recoveries	\$ 20,612,358.79
Expenditures for Replacements	(6,822,202.16)
Total Extraordinary Items	<u><u>\$ 13,790,156.63</u></u>

20. SUBSEQUENT EVENTS

On October 17, 2008, the Charlotte County District School Board issued Tax Anticipation Note, Series 2008, in the amount of \$17 million. The note proceeds will be utilized by the District to provide interim funds for the payment of operating expenditures for the 2008-09 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The note carries an interest rate of 4 percent and a maturity date of October 1, 2009.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 150,000.00	\$ 150,000.00	\$ 179,981.08	\$ 29,981.08
Federal Through State	506,000.00	500,000.00	466,221.98	(33,778.02)
Federal Through Local State	39,030,618.00	37,300,999.00	332,688.78	(32,697,929.22)
Local:				
Taxes	94,461,228.00	94,096,544.00	94,481,268.10	384,724.10
Miscellaneous	4,538,275.00	4,514,109.00	4,159,145.20	(354,963.80)
Total Revenues	138,686,121.00	136,561,652.00	136,494,455.23	(67,196.77)
Expenditures				
Current - Education:				
Instruction	90,761,979.00	87,394,493.00	84,533,571.98	2,860,921.02
Pupil Personnel Services	9,022,231.00	9,002,002.00	8,832,912.31	169,089.69
Instructional Media Services	2,434,235.00	2,423,487.00	2,394,144.44	29,342.56
Instruction and Curriculum Development Services	4,129,285.00	4,192,634.00	4,119,950.99	72,683.01
Instructional Staff Training Services	1,422,907.00	1,668,693.00	1,360,383.52	308,309.48
Instructional Related Technology	469,848.00	698,884.00	694,597.66	4,286.34
Board of Education	656,495.00	934,516.00	912,309.24	22,206.76
General Administration	325,481.00	377,592.00	372,658.81	4,933.19
School Administration	8,890,050.00	8,946,802.00	8,828,237.68	118,564.32
Facilities Acquisition and Construction				
Fiscal Services	1,097,313.00	1,152,227.00	1,105,216.63	47,010.37
Food Services				
Central Services	3,699,469.00	3,693,190.00	3,598,427.58	94,762.42
Pupil Transportation Services	7,582,823.00	7,519,807.00	6,980,616.95	539,190.05
Operation of Plant	14,162,736.00	13,201,996.00	12,549,419.25	652,576.75
Maintenance of Plant	4,038,698.00	4,160,340.00	3,947,875.32	212,464.68
Administrative Technology Services	1,287,929.00	1,338,940.00	1,301,998.23	36,941.77
Community Services	678,625.00	647,620.00	488,778.75	158,841.25
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay				
Debt Service:				
Principal	600,000.00			
Total Expenditures	151,260,104.00	147,353,223.00	142,021,099.34	5,332,123.66
Deficiency of Revenues Under Expenditures	(12,573,983.00)	(10,791,571.00)	(5,526,644.11)	5,264,926.89
Other Financing Sources (Uses)				
Transfers In	4,103,444.00	7,656,991.00	7,420,739.24	(236,251.76)
Proceeds from Sale of Capital Assets			19,659.30	19,659.30
Insurance Loss Recoveries		260,392.00	260,391.94	(0.06)
Transfers Out	(5,652.00)	(5,652.00)	(4,091.99)	1,560.01
Total Other Financing Sources (Uses)	4,097,792.00	7,911,731.00	7,696,698.49	(215,032.51)
Extraordinary Item				
Loss Recoveries				
Net Change in Fund Balances	(8,476,191.00)	(2,879,840.00)	2,170,054.38	5,049,894.38
Fund Balances, July 1, 2007	15,388,474.97	15,388,474.97	15,388,474.97	
Fund Balances, June 30, 2008	\$ 6,912,283.97	\$ 12,508,634.97	\$ 17,558,529.35	\$ 5,049,894.38

EXHIBIT - L

Special Revenue - Miscellaneous Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 3,000,000.00	\$ 9,117,900.00	\$	\$ (9,117,900.00)
	506,550.00		(506,550.00)
<u>27,900,361.00</u>	<u>19,236,962.00</u>	<u>961,848.23</u>	<u>(18,275,113.77)</u>
<u>30,900,361.00</u>	<u>28,861,412.00</u>	<u>961,848.23</u>	<u>(27,899,563.77)</u>
	2.00		2.00
	72,853.00	55,953.12	16,899.88
107,835,578.00	48,394,328.87	6,457,900.63	41,936,428.24
	39,356.00	37,302.36	2,053.64
	1,646.00		1,646.00
	378,657.00	271,046.05	107,610.95
	85,176,383.30	85,176,383.30	
	53,017.83	53,017.83	
<u>107,835,578.00</u>	<u>134,116,244.00</u>	<u>92,051,603.29</u>	<u>42,064,640.71</u>
<u>(76,935,217.00)</u>	<u>(105,254,832.00)</u>	<u>(91,089,755.06)</u>	<u>14,165,076.94</u>
38,456,321.00	62,826,971.00	39,541,643.00	(23,285,328.00)
<u>38,456,321.00</u>	<u>62,826,971.00</u>	<u>39,541,643.00</u>	<u>(23,285,328.00)</u>
		<u>20,612,358.79</u>	<u>20,612,358.79</u>
(38,478,896.00)	(42,427,861.00)	(30,935,753.27)	11,492,107.73
<u>42,517,264.01</u>	<u>42,517,264.01</u>	<u>42,517,264.01</u>	
<u>\$ 4,038,368.01</u>	<u>\$ 89,403.01</u>	<u>\$ 11,581,510.74</u>	<u>\$ 11,492,107.73</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008**

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:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 781,589.23
National School Lunch Program	10.555	300	3,122,819.09
Summer Food Service Program for Children	10.559	323	178,231.16
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	<u>512,856.46</u>
Total United States Department of Agriculture			<u>4,595,495.94</u>
Federal Mediation and Conciliation Service:			
Direct:			
Labor Mediation and Conciliation	34.001	N/A	<u>36,827.90</u>
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	9,818.00
Federal Pell Grant Program	84.063	N/A	<u>218,269.96</u>
Total Direct			<u>228,087.96</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	4,012,869.76
Special Education - Preschool Grants	84.173	267	<u>67,007.20</u>
Total Special Education Cluster			4,079,876.96
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	263,333.52
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 228	2,846,755.89
Career and Technical Education - Basic Grants to States	84.048	151	238,365.77
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	64,426.21
Education for Homeless Children and Youth	84.196	127	108,342.91
Even Start - State Educational Agencies	84.213	219	176,603.75
State Grants for Innovative Programs	84.298	113	26,707.40
Education Technology State Grants	84.318	121	53,239.64
English Language Acquisition Grants	84.365	102	38,637.13
Improving Teacher Quality State Grants	84.367	224	614,721.84
Lee County District School Board:			
Reading First State Grants	84.357	None	332,688.78
Total Indirect			<u>8,843,699.80</u>
Total United States Department of Education			<u>9,071,787.76</u>
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (3)	N/A	<u>2,382,585.85</u>
Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	19,920,001.20
Florida Department of Education:			
Homeland Security Grant Program	97.067	234	<u>14,810.29</u>
Total Department of Homeland Security			<u>19,934,811.49</u>
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	<u>179,981.08</u>
Total Expenditures of Federal Awards			<u>\$ 36,201,490.02</u>

Notes: (1) **Basis of Presentation.** The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 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 - National School Lunch Program.** Represents the amount of donated food received during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) **Head Start.** For grant number/program year 04CH3161/41 expenditures include Head Start projects PA-22, \$384,985.70 & PA-20, \$6,938.63 and Early Head Start projects PA-25, \$144,173.85 & PA-11, \$1,989.16. For grant number/program year 04CH3161/42 expenditures include Head Start projects PA-22, \$897,671.69 & PA-20, \$ 20,819.85 and Early Head Start projects PA-25, \$439,119.25 & PA-11 \$ 1,408.72. For grant number/program year 04WH0006/01 expenditures include PA-22 Construction Grant \$485,479.00.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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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, 2008, 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 Charlotte Local Education Foundation, Inc., a 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 discretely presented component unit 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. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency.

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 and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

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, 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 that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit – M. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

March 4, 2009



David W. Martin, CPA
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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 Charlotte County District School Board'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, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. 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, 2008.

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.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

March 4, 2009

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,086,044
Auditee qualified as low-risk auditee?	Yes

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENT FINDING

Significant Deficiency

Finding No. 1: Financial Reporting

Our review of the District’s 2007-08 fiscal year annual financial report, provided for audit, disclosed that District personnel inadvertently misclassified certain account balances on its financial statements. On the statement of net assets, the District overstated unrestricted net assets by approximately \$29 million by not identifying and reporting construction commitment balances, totaling approximately \$18 million, as net assets restricted for capital projects, and not reporting Federal hurricane recovery funds, totaling approximately \$11 million, as restricted for other purposes. We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances on the financial statements.

Recommendation: To facilitate necessary financial reporting, the District should establish procedures to ensure that account balances are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or imperative for the performance of the District’s duties and responsibilities as prescribed by law. Additionally, this section requires the District to provide a copy of the written statement indicating the purpose for collecting the number to the individual from whom the number is obtained. Further, the section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than

January 31, 2008. Further, by that date, the District was also required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to indicate so.

The District requests SSNs from employees, prospective employees, and contractors, and promptly notifies these individuals of the reasons for obtaining the SSNs. The District also requests the SSNs of students from their parents or legal guardian when completing certain forms such as enrollment applications, and has a notice on its website that SSNs are required upon student registration. However, the District did not provide written statements of the reasons for requesting student's SSNs to parents or legal guardians. Further, contrary to the above law, the District had not certified, as of December 2008, to the Legislature that it complied with Section 119.071(5)(a), Florida Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should continue its efforts to comply with Section 119.071(5), Florida Statutes, and properly monitor its collection and use of social security numbers.

Finding No. 3: Policies for Reporting Fraud

The District had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

Recommendation: To aid in the detection and prevention of fraud, the District should develop policies for communicating known or suspected fraud to the appropriate authority.

Finding No. 4: High School Diplomas

Improvements can be made in controls over diplomas. For the 2007-08 fiscal year, the District issued 722 diplomas to graduates of Lemon Bay and Port Charlotte High schools. Our review of student graduation and diploma processing at these two schools disclosed the following:

- There was an inadequate separation of duties over the ordering and receipt of high school diplomas. One employee, the registrar at one high school and the secretary at a second high school, submitted orders, containing information such as student names and diploma types, for the printing company to print diplomas, received the completed diplomas from the printing company, and distributed the diplomas directly to the students or to the District personnel for distribution. No other employee verified that the diplomas were properly ordered, received, and distributed to the students. In these circumstances, one

employee had control over the ordering and receipt of high school diplomas such that errors or irregularities, should they occur, might not be detected in a timely manner.

- The secretary/registrar at the high schools ordered blank diploma forms which were not controlled to ensure proper accountability. While the blank forms were received by the secretary/registrar and kept in closets which were locked nightly, until needed, no one other than the secretary/registrar accounted for the number of diploma forms received. Someone independent of the secretary/registrar, properly accounting for and controlling the forms, would provide further assurance that the documents were limited to authorized purposes.

Recommendation: The District should strengthen internal controls over diploma processing to ensure that diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation.

Finding No. 5: Information Technology – User Account Management

Access to information technology (IT) resources, including, but not limited to, Bi-Tech (finance, employee management, purchasing, and inventory), SASI (student system), First Class (e-mail), and Novell (system log-on) applications should be limited to active employees who require such access in the performance of their duties. To provide management with the assurance that proper access controls to IT resources for terminated employees are maintained, policies and procedures are needed to ensure the timely removal of terminated employees from computer access. Effective controls include maintaining records within the computer system or by other means of documentation to demonstrate when the employee was terminated or became inactive and when the employee's access was removed from the computer system.

In September 2007, the District implemented a new computer program which is used to deactivate Bi-Tech and SASI access privileges based on the termination date entered by the human resources department. Access privileges are canceled for the First Class and Novell applications by the Learning Through Technology Department based on information provided by various sources, such as supervisors or the Human Resources Department. District records indicated that 279 employees terminated employment during the 2007-08 fiscal year; however, our tests of 16 employees who terminated employment disclosed five employees continued to have access to First Class and Novell from 8 to 62 days after their termination dates. The test also disclosed that three employees who terminated employment had access to the District's Bi-Tech and SASI programs from 4 to 13 days after their employment termination. Inquiry with District personnel and review of District records did not evidence the basis for the delay in canceling these access privileges. The untimely removal of terminated employees from District computer access results in an increased risk that unauthorized or improper use of computer resources may occur. A similar finding was noted in our report No. 2008-149.

Recommendation: The District should enhance procedures to ensure the timely removal of access privileges for terminated employees in order to minimize the risk of compromising the District's data and IT resources.

Finding No. 6: Information Technology – Security Awareness and Training

Effective security awareness training for employees includes periodic updates to promote awareness of practices that protect against harm from failures affecting confidentiality, integrity, and availability of the District's information technology (IT) resources. District management stated that the District does not have an established security awareness and training program. A lack of comprehensive security awareness training in areas of risk increases the likelihood that users will fail to recognize and respond appropriately to external threats and could result in virus-infected computers or access to confidential or sensitive data by unauthorized individuals.

Recommendation: To minimize misuse of IT resources, the District should promote security awareness through a comprehensive training program to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees to acknowledge their understanding and acceptance of security-related responsibilities on an annual basis.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2008-149.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit – M.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

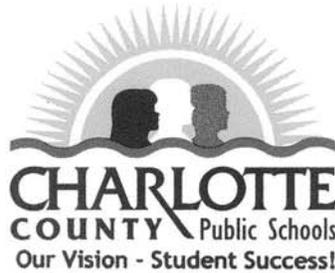
*CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008*

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
2008-149 (1)	Head Start (CFDA No. 93.600) - Procurement - Suspension and Debarment	The District did not document that contractors and subcontractors paid with Federal moneys had not been suspended or debarred.	Corrected.	

**EXHIBIT – M
MANAGEMENT’S RESPONSE**

David E. Gayler, Ph.D.
Superintendent



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

March 4, 2009

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.

During this year we will review and determine the appropriate course of action needed to address each of the conditions or deficiencies reported to us. We will endeavor to develop and adopt the rules, policies and procedures that will be required to accomplish the recommendations outlined in this report.

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

Sincerely,

David E. Gayler, Ph.D
Superintendent of Schools