





CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

A Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2005

 Charlotte County District School Board members and the Superintendent of Schools who served during the 2004-05 fiscal year are shown in the following tabulation:

 District No.

 Lee Swift
 1

 Connie Cantor to 11-15-04
 2

AUDITOR GENERAL

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Charlotte County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2005, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;

- Ø Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- \varnothing Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2005-181.

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, 2005. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

This audit was conducted by Derick B. Boston, CPA, and supervised by Robert D. Jones, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at <u>davidmartin@aud.state.fl.us</u> or by telephone at (850) 487-9039.

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

Finding No. 3:

the district school board. Section 1001.453(3), Florida Statutes, states that the board of directors of the district school board's direct support organization shall be approved by the district school board.

The Charlotte Local Education Foundation, Inc., is a direct-support organization that reported \$570,269 in disbursements during the 2004-05 fiscal year, and utilized a District facility for its operation. As noted in our prior report No. 2005-181, the School Board had entered into an agreement allowing the Foundation the use of office space. The agreement provides that the School Board shall adopt rules setting forth the additional terms and conditions as may, in the judgment of the School Board, be necessary for the continued use of property, facilities, or services of the District. The rules shall provide for budget and audit review and oversight by the School Board.

Our review disclosed that the School Board had adopted a policy providing that the board of directors of a direct-support organization shall be approved by the Board annually, and an annual post-audit of its financial accounts is to be conducted by an independent certified

document the duties of key personnel, and may also serve to communicate management's commitment to, and support of, a strong system of internal control.

Recommendation: The District should develop written policies and procedures for the box office

FINANCIAL SECTION

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

AUDITOR GENERAL STATE OF FLORIDA

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 19 percent of the assets and 52 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits countained in 9 Governmenta Auditing Standards as 60 r (ovi-Bio) 602 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Charlotte County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements included under the heading

10 mon Chelin

MARCH 2006

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

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Miscellaneous Fund, Capital Projects – Local Capital Improvement Fund, and the Capital Projects – Other 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.

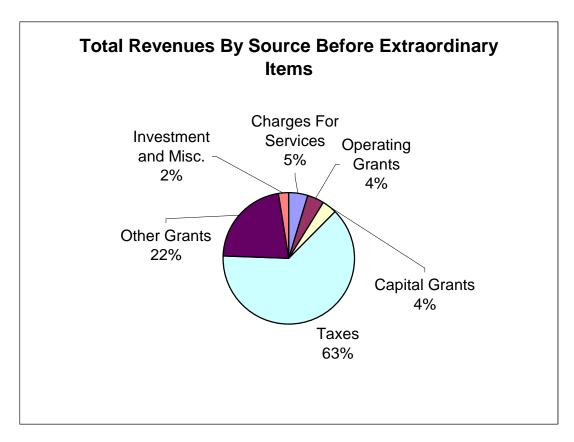
<u>Proprietary Funds</u>. Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to

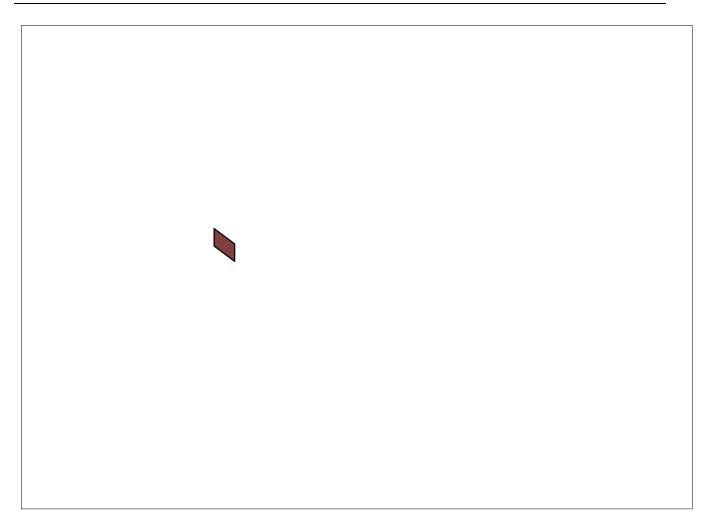
MARCH 2006

	6-30-05	6-30-04	Increase (Decrease)	Percentage Change
Program Revenues: Charges for Services	\$ 7,911,828.29	\$ 8,337,844.88	\$ (426,016.59)	-5%

Extraordinary items in the 2004-05 fiscal year include insurance proceeds received from insurers for hurricane damage caused by Hurricane Charley in August 2004 and associated losses on the disposal of capital assets. See Note 17 to the financial statements for further information on extraordinary items.

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





Florida, and our own insurance coverage is adequately covering the damages to our structures and replacement of equipment and supplies, as well as setting up modular facilities for our campuses totally destroyed by the storm.

REQUESTS FOR INFORMATION

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

	Governmental Activities
ASSETS	
Cash Investments Accounts Receivable, Net Due from Other Agencies Deferred Charges Inventories	\$ 42,852.70 81,145,428.41 63,965.51 5,098,853.41 68,305.51 601,256.10
Restricted Assets: Cash with Fiscal Agent Capital Assets:	7,611.68
Land Construction in Progress Improvements Other Than Buildings, Net Buildings and Fixed Equipment, Net Furniture, Fixtures, and Equipment, Net Motor Vehicles, Net Audio Visual Materials and Computer Software, Net	7,269,946.34 9,249,243.15 2,398,749.74 123,791,235.29 8,234,599.71 3,904,786.34 143,518.71
TOTAL ASSETS	\$ 242,020,352.60
LIABILITIES	
Salaries and Benefits Payable Payroll Deductions and Withholdings Accounts Payable Construction Contracts Payable Accrued Interest Payable Deposit Payable	\$ 689,829.46 640,081.78 6,136,471.50 1,631,977.66 213,539.41 108,001.13

Deposit Payable Sales Tax Payable

		Expenses				Revenue and Changes
		Exponeed	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities
Functions/Programs						
Primary Government						
Governmental Activities:						
Instruction	\$	64,840,587.34	\$ 710,802.44	\$	\$	\$ (64,129,784.90)
Pupil Personnel Services		7,608,393.75				(7,608,393.75)
Instructional Media Services		2,071,831.66				(2,071,831.66)
Instruction and Curriculum Development Services		5,329,438.28				(5,329,438.28)
Instructional Staff Training		1,358,668.19				(1,358,668.19)
Board of Education		495,360.59				(495,360.59)
Genvecal (Accim 2001\$47470(21)]) (put) [1(2)(as 3872)) S-11e1417(21)]) 1ppo Td[v-8	85.077	1 -1.2513-n4(M)				

Net(Expense)

EXHIBIT - C CHARLOTTE COUNTY DISTRICT SCHOOL BOARD BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2005

	_	General Fund	_	Special Revenue - Miscellaneous Fund		Capital Projects - Local Capital nprovement Fund
ASSETS						
Cash Investments Accounts Receivable, Net Due from Other Funds	\$	40,802.70 11,585,572.52 2,848.32 517,027.26	\$	29,910,285.01	\$	29,939,797.06
Due from Other Agencies Inventories		1,588,883.43 399,437.35				438,073.19
TOTAL ASSETS	\$	14,134,571.58	\$	29,910,285.01	\$	30,377,870.25
LIABILITIES AND FUND BALANCES						
Liabilities: Salaries and Benefits Payable Payroll Deductions and Witholding Accounts Payable Construction Contracts Payable - Retainage Sales Tax Payable Due to Other Funds	\$	580,375.82 503,318.44 890,920.18	\$	3,994.67 3,159.73 2,828,354.64 1,222,860.55	\$	5,487.63 8,018.79 619,153.94 258,614.16
Deposit Payable Deferred Revenue		5,260.00		194,414.72		
Total Liabilities		1,979,874.44		4,252,784.31		891,274.52
Fund Balances: Reserved for State Categorical Programs Reserved for Encumbrances Reserved for Debt Service Reserved for Other Purposes Unreserved, reported in:		2,850,189.00 876,175.00		25,657,500.70		22,540,495.00
General Fund Special Revenue Funds Debt Service Funds		8,428,333.14				
Capital Project Funds		40 454 007 44		0E 0EZ E00 Z0		6,946,100.73
Total Fund Balances		12,154,697.14		25,657,500.70		29,486,595.73
TOTAL LIABILITIES AND FUND BALANCES	\$	14,134,571.58	\$	29,910,285.01	\$	30,377,870.25

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

EXHIBIT - D CHARLOTTE COUNTY DISTRICT SCHOOL BOARD RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2005

Total Fund Balances - Governmental Funds		\$ 74,333,836.38
Amounts reported for governmental activities in the statement of net assets are different because:		
Debt issuance costs and underwriters discounts are not expensed in the government-wide financial statements, but are recorded as deferred charges and amortized over the life of the debt.		68,305.51
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.		154,992,079.28
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.		(213,539.41)
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.		2,368,398.68
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 S Compensated Absences Payable	\$ 14,697,305.51 9,064,891.67	 (23,762,197.18)
Total Net Assets - Governmental Activities		\$ 207,786,883.26

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

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Revenues	Gener Fund		Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund	
Intergovernmental:					
Federal Direct			\$	\$	
Federal Through State	412,3	94.64	509,445.12		
State	29,154,3	29.52	27,632.92		
Local	81,083,1	02.08	577,432.77	25,495,340.46	
Total Revenues	110,789,7	37.38	1,114,510.81	25,495,340.46	
Expenditures					
Current - Education:					
Instruction	65,376,6		5,116,530.97		
Pupil Personnel Services	7,440,8		142,362.33		
Instructional Media Services	2,070,7		575,211.39		
Instruction and Curriculum Development Services	3,324,6		10,373.26		
Instructional Staff Training		93.15	902.90		
Board of Education		52.67			
General Administration	,	31.35			
School Administration	7,064,5	16.52	40,794.52	0 404 744 00	
Facilities Acquisition and Construction	050.0	07.04	13,357,495.23	2,181,711.36	
Fiscal Services	856,9	37.94	16,487.96		
Food Services	2 2 4 0 7	20.45	715,141.85		
Central Services	3,248,7		214,163.99		
Pupil Transportation Services Operation of Plant	6,645,5 9,784,9		115,370.23 115,185.13		
Maintenance of Plant	3,518,9		15,228,781.87		
Community Services		16.80	666.67		
Fixed Capital Outlay:	070,0	10.00	000.07		
Facilities Acquisition and Construction				10,184,088.74	
Other Capital Outlay			4,063,333.10	10,104,000.74	
Debt Service:			4,003,335.10		
Principal					
Interest and Fiscal Charges	270,3	23.41			
Total Expenditures	111,923,2	08.00	39,712,801.40	12,365,800.10	
Excess (Deficiency) of Revenues Over Expenditures	(1,133,4	70.62)	(38,598,290.59)	13,129,540.36	
Other Financing Sources (Uses)					
Transfers In	3,705,4	28.51		614,699.17	
Insurance Loss Recoveries	66,4	34.69			
Transfers Out	(2,5	23.73)		(2,422,705.51)	
Total Other Financing Sources (Uses)	2 1 Tf-0	.0057(0 Tw	v(36)-9(39087 Td [270	Gi13(c)-83.01311)-8a3TD [T	0)-4per)9(.9(.7)-9(3)7)-9(th

Capital Projects -Other Fund

Other Governmental Funds Total Governmental Funds

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, 2005

Net Change in Fund Balances - Governmental Funds	\$ 41,027,979.54
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 expenses in the current period.	7,234,408.80
The loss on the disposal of assets during the period is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balances by the undepreciated cost of the disposed assets.	(6,552,094.66)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets.	3,300,000.00
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.	(81,000.00)
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 currrent period.	28,679.17
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.	(142,361.00)
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.	 552,784.96
Change in Net Assets - Governmental Activities	\$ 45,368,396.81

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, 2005

	Governmental Activities - Internal Service Funds		
ASSETS			
Current Assets: Cash and Cash Equivalents Investments Due From Other Agencies	\$ 7,911.68 2,746,783.64 210.92		
TOTAL ASSETS	\$ 2,754,906.24		
LIABILITIES			
Current Liabilities: Salaries and Benefits Payable Payroll Deductions and Witholdings Accounts Payable Deposits Payable	\$ 5,722.22 7,576.07 310,808.51 62,400.76		
Total Liabilities	 386,507.56		
NET ASSETS			
Unrestricted	 2,368,398.68		
Total Net Assets	 2,368,398.68		
TOTAL LIABILITIES AND NET ASSETS	\$ 2,754,906.24		

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

	 Internal Service Funds		
CASH FLOWS FROM OPERATING ACTIVITIES Cash Received from Board Funds and Participants Cash Payments to Vendors for Goods and Services Cash Payment to Employees for Services Net Cash Provided by Operating Activities	\$ 14,903,769.88 (14,027,223.15) (360,210.91) 516,335.82		
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of Investments Proceeds from Disposition of Investments Interest Income	(14,710,486.19) 14,174,655.38 17,225.80		
Net Cash Used by Investing Activities	(518,605.01)		
Net Decrease in Cash	(2,269.19)		
Cash, Beginning	10,180.87		
Cash, Ending	\$ 7,911.68		

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

Operating Income	\$	535,559.16
Adjustments to Reconcile Operating Income to Net Cash Provided		
by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		1,025.86
Decrease in Accounts Payable		(29,710.17)
Increase in Salaries and Benefits Payable		340.20
Increase in Payroll Taxes Payable		454.81
Increase in Deposit Payable	PayauTJ-00	02 Tcଃ))ମୁସିନ୍ଧରୋରି Depce in Depce in Depce in Depce in

Governmental Activities -

EXHIBIT - J CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

June 30, 2005

	Agency Funds
ASSETS	
Cash	\$ 2,232,759.51
LIABILITIES	
Due to Other Funds Internal Accounts Payable	\$ 59,379.37 2,173,380.14
Total Liabilities	\$ 2,232,759.51

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

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- <u>General Fund</u> 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.
- <u>Special Revenue Miscellaneous Fund</u> to account for the financial resources generated by insurance proceeds, Public Assistance Grants, and State reimbursements as a result of the damages caused by Hurricane Charley in August of 2004 to be used for recovering damaged materials, supplies, equipment, and buildings.
- <u>Capital Projects Local Capital Improvement Fund</u> 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.
- <u>Capital Projects Other Capital Projects Fund</u> to account for the financial resources generated by the Classroom for Kids appropriation and other Educational Facilities Funding to be used for acquisition or construction of major capital facilities.

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

- <u>Internal Service Funds</u> to account for the District's employee benefits program and to account for the financing of the Special Projects Center Consortium for which the District is the fiscal agent.
- <u>Agency Funds</u> to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, dass, and dub activities.

Ø Basis of Accounting

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

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

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

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by

Description	Estimated Lives
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.

Ø 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. Applicable premium or discount and the difference between the reacquisition price and the net carrying amount of refunded debt are reported as part of the bond liability. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

Ø <u>State Revenue Sources</u>

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

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:

- Ø 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.
- Ø 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.
- Ø Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Ø 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, 2005, the District has the following investments and maturities:

Investment	Maturities	Fair Value			
Nations Treasury Reserve Money Market Fund State Board of Administration Local Government	48 Day Average	\$	7,271,103.95		
Surplus Funds - Trust Funds Investment Pool State Board of Administration Debt Service Accounts	54 Day Average 6 Months	7	73,729,555.05 144,769.41		
Total Investments, Primary Government		\$ 8	31,145,428.41		

Interest Rate Risk

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

Credit Risk

Ø Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to:

- A. Local Government Surplus Funds Trust Funds or any intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statutes.
- B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- C. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statute.
- D. Direct obligations of the United States Treasury.
- E. Federal agencies and instrumentalities.
- F. Securities of, or other interest in, any open-end or closed-end management-type investment company or investment trust registered under Federal law, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States government of any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- Ø As of June 30, 2005, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
- Ø The District's investments in the Nations Treasury Reserve Money Market Fund is rated Aaa by Moody's Investor Services and AAAm by Standard & Poor's Investor Services.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

Balance Additions

5

Deletions

Balance

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

6. BONDS PAYABLE

Bonds payable at June 30, 2005, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998-A	\$ 5,210,000.00	4.5 - 5.5	2018
Series 1999-A	535,000.00	4.00 - 4.75	2019
District Revenue Bonds:			
Series 1980	120,000.00	7.5	2006
District General Obligation Bonds:			
Series 2003	8,980,000.00	2.0 - 2.5	2008
Subtotal	14,845,000.00		
Add: Unamortized Premium on Debt	34,885.65		
Less: Unamortized Difference between the	04,000.00		
Reacquisition Price and Net Carrying			
Amount of Old Debt	(182,580.14)		
	(102,000.14)		
Total Bonds Payable	\$14,697,305.51		
	ψ14,007,303.31		

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

Ø 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.

Ø District Revenue Bonds

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

Ø District General Obligation Refunding Bonds

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

Description	Balance 7-1-04	Additions	Deductions	Balance 6-30-05	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable, Net Compensated Absences Payable	\$17,941,920.07 8,922,530.67	1,193,348.00	\$3,244,614.56 1,050,987.00	\$ 14,697,305.51 9,064,891.67	\$ 3,375,000.00 1,036,191.55
Total Governmental Activities	\$26,864,450.74	\$1,193,348.00	\$4,295,601.56	\$ 23,762,197.18	\$ 4,411,191.55

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

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2005-06 fiscal year budget as a result of purchase orders outstanding at June 30, 2005. amount s32oO.2404 Td(8.)Tj/TT3 1 Tf0 Tc 0.73219 0 Td()Tj/TTr

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

Funds	Interfund			
	Transfers In	Transfers Out		
Major Funds:				
General	\$ 3,705,428.51	\$ 2,523.73		
Capital Projects:				
Local Capital Improvement Fund	614,699.17	2,422,705.51		
Nonmajor Governmental Funds	2,523.73	1,897,422.17		
Total	\$ 4,322,651.41	\$ 4,322,651.41		

Transfers in to the General Fund were to finance various District maintenance projects and equipment

Millages

Taxes Levied

GENERAL FUND

13. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount								Balance Committed	
Port Charlotte High School:										
Architect	\$	315,000.00	\$	280,350.00	\$	34,650.00				
Contractor		4,371,443.00		2,327,527.00		2,043,916.00				
Deep Creek Elementary School:										
Contractor		2,468,641.00		1,705,530.00		763,111.00				
Charlotte Technical Center:										
Architect		932,200.00		615,113.00		317,087.00				
Contractor		21,550,427.00		1,505,029.00		20,045,398.00				
Total	\$	29,637,711.00	\$	6,433,549.00	\$	23,204,162.00				

14. CONSORTIUMS

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

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

15. RISK MANAGEMENT PROGRAMS

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

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

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

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

16. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2004-05 fiscal year:

	Total	Total Employee Benefit Program	
Total Assets	\$ 2,754,906.24	\$ 2,682,623.54	\$ 72,282.70
Liabilities and Net Assets:			
Accounts Payable Salaries, Benefits and Payroll	\$ 310,808.51	\$ 310,055.00	\$ 753.51
Taxes Payable Payroll Deductions and	5,722.22	1,982.08	3,740.14
Withholdings Payable	7,576.07	2,005.69	5,570.38
Deposits Payable Unrestricted Net Assets	62,400.76 2,368,398.68	62,400.76 2,306,180.01	62,218.67
Total Liabilities and Net Assets	\$ 2,754,906.24	\$ 2,682,623.54	\$ 72,282.70
Revenues:			
Premium Contributions Charges for Services Charges for Sales Interest Income	\$14,487,692.40 366,139.00 40,246.66 17,225.80	\$ 14,487,692.40 12,775.49	\$ 366,139.00 40,246.66 4,450.31
Total Revenues Total Expenses	14,911,303.86 (14,358,518.90)	14,500,467.89 (13,990,164.32)	410,835.97 (368,354.58)
Change in Net Assets	\$ 552,784.96	\$ 510,303.57	\$ 42,481.39

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental: Federal Direct Federal Through State State Local	\$ 134,000.00 328,996.00 28,574,889.00 79,578,624.00	\$ 134,000.00 313,524.00 29,650,812.00 79,839,834.00	\$ 139,911.14 412,394.64 29,154,329.52 81,083,102.08	\$ 5,911.14 98,870.64 (496,482.48) 1,243,268.08
Total Revenues	108,616,509.00	109,938,170.00	110,789,737.38	851,567.38
Expenditures				
Current - Education:	00 440 444 00	07 000 004 00	05 070 004 00	0 404 000 74
Instruction Pupil Personnel Services	68,112,441.00 7,170,294.00	67,808,034.00 7,597,450.00	65,376,694.29 7,440,825.58	2,431,339.71 156,624.42
Instructional Media Services	2,123,113.00	2,165,881.00	2,070,769.53	95,111.47
Instruction and Curriculum Development Services	3,208,116.00	3,347,507.00	2,070,769.53 3,324,693.09	22,813.91
Instructional Staff Training	1,255,457.00	1,328,159.00	831,493.15	496,665.85
Board of Education	547,096.00	550,823.00	521,352.67	29,470.33
General Administration	268,133.00	300.394.00	296.831.35	3.562.65
School Administration	6,915,468.00	7,108,036.00	7,064,516.52	43,519.48
Facilities Acquisition and Construction	0,313,400.00	7,100,030.00	7,004,010.02	45,515.40
Fiscal Services	875,851.00	870,959.00	856,937.94	14,021.06
Food Services	010,001.00	070,000.00	000,001.04	14,021.00
Central Services	3,284,949.00	3,422,303.00	3,248,732.45	173,570.55
Pupil Transportation Services	5,774,544.00	6,661,837.00	6,645,524.99	16,312.01
Operation of Plant	10,549,259.00	10,708,824.00	9,784,967.72	923,856.28
Maintenance of Plant	3,521,194.00	3,550,505.00	3,518,928.51	31,576.49
Community Services	562,737.00	756,499.00	670,616.80	85,882.20
Fixed Capital Outlay:				
Other Capital Outlay				
Debt Service:				
Interest and Fiscal Charges	150,000.00	270,324.00	270,323.41	0.59
Total Expenditures	114,318,652.00	116,447,535.00	111,923,208.00	4,524,327.00

Excess (Deficiency) of Revenues Over Expenditures

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FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS

AUDITOR GENERAL STATE OF FLORIDA

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements included disclosures regarding our reference to the report of 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. The financial statements of the school internal funds were not audited in accordance with Government Auditing Standards and, accordingly, this report does not extend to those funds.

Internal Control O23.sRF-2(i)(n)-5(ta-2(cial aRport-6(t)21(ng)JJ/TT01 Tf-0.0006 Tc 0.13219Tw 10.98 0 0 10.98 12 2

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition referred to above 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, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other deficiencies which are discussed in the **FINDINGS AND RECOMMENDATIONS** section of this report.

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

Respectfully submitted,

Partion Allian

William O. Monroe, CPA February 7, 2006

Federal Grantor/Pass-Through Grantor/Program Title

Catalog of Federal Domestic Assistance Number Pass -Through Grantor Number

Amount of Expenditures (1)

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) For the Fiscal Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
Department of Homeland Security Indirect: Florida Department of Community Affairs: Public Assistance Grants	97.036	234	\$ 509,445.12
United States Department of Defense: Direct: Army Junior Reserve Officers Training Corps	None	N/A	139,911.14
Total Expenditures of Federal Awards			\$ 14,267,831.08

Notes: (1) <u>Basis of Presentation</u>. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2004-05 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 a480(w)12(i)2(\$9-10(e)21(peQ7-10(l)-46.\$o8d-471(a)2(t)-480(mt-9(ie)-371(aD12(i)28(s)-8(it0(l))-8(c)-8(t'9(si-480

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS For the Fiscal Year Ended June 30, 2005

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
05-181		There were no prior Federal Awards audit findings.		

