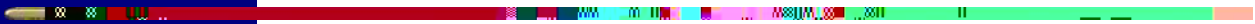
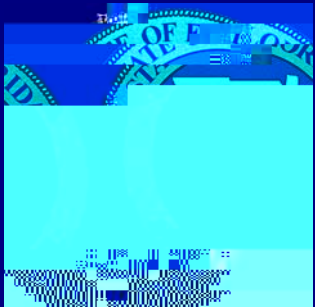


# CHARLOTTE COUNTY DISTRICT SCHOOL BOARD



Financial, Operational, and Federal Single Audit



**BOARD MEMBERS AND S**

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
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**EXECUTIVE SUMMARY**

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**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**



# 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, 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,

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 – L) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion 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.

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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.

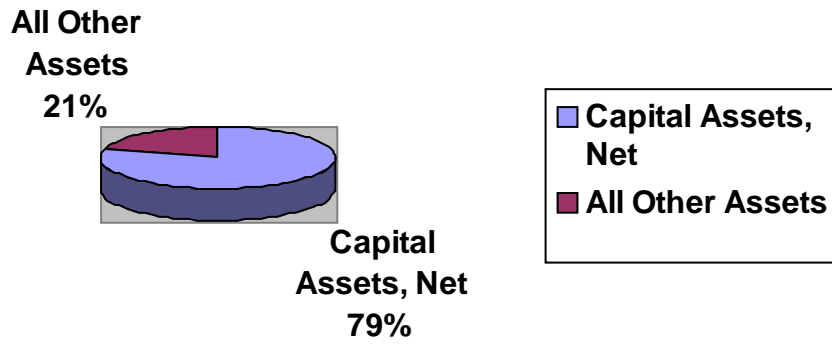
The District uses agency funds to account for resources held for student activities and groups.

### **Notes to Financial Statements**

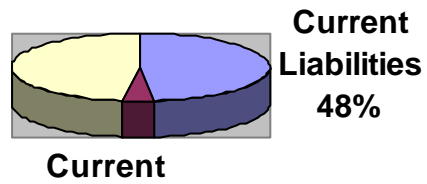
The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.



### Total Assets

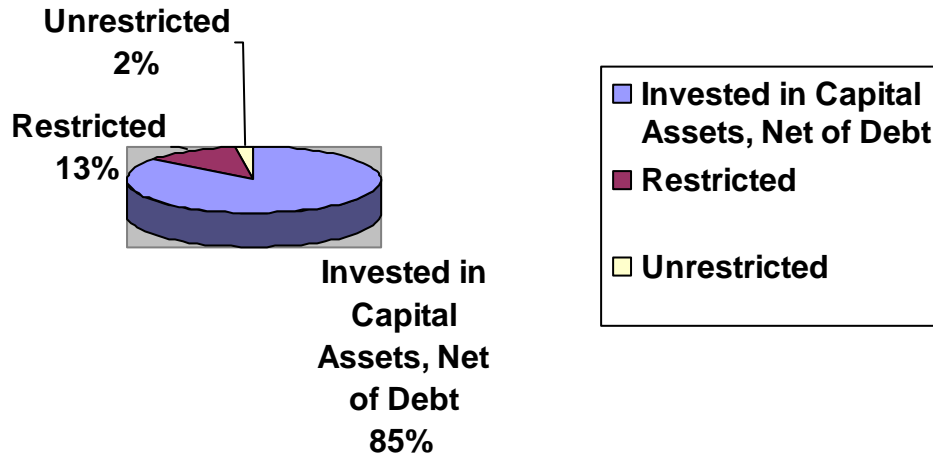


### Total Liabilities



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

### Total Net Assets

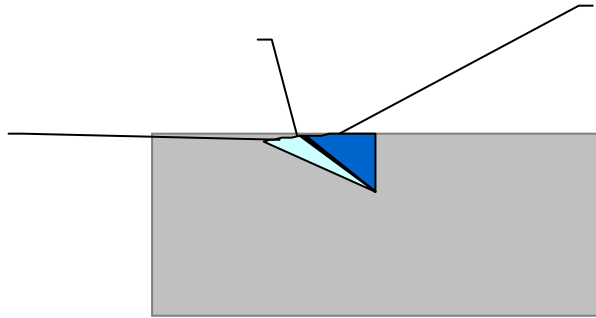


The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

	6-30-08	6-30-07	Increase (Decrease)	Percentage Change
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:				







**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

	Governmental Activities	Component Unit
<b>ASSETS</b>		
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	1,480,229.72	2,700.00
<b>Total Current Assets</b>	<b>86,735,703.91</b>	<b>150,164.00</b>

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
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			

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	
(9,723,068.92)	
(156,201,640.34)	
	(342,750.00)
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
13,790,156.63	
206,415,102.12	360,264.00
50,213,461.78	17,514.00
327,166,007.33	128,469.00
\$ 377,379,469.11	\$ 145,983.00





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

<b>Total Fund Balances - Governmental Funds</b>		\$ 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	(21,163,968.64)
<b>Total Net Assets - Governmental Activities</b>		<u>\$ 377,379,469.11</u>

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
<b>Revenues</b>		
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
<b>Total Revenues</b>	<b>136,494,455.23</b>	<b>961,848.23</b>
<b>Expenditures</b>		
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		
<b>Total Expenditures</b>	<b>142,021,099.34</b>	<b>92,051,603.29</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(5,526,644.11)</b>	<b>(91,089,755.06)</b>
<b>Other Financing Sources (Uses)</b>		
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)	
<b>Total Other Financing Sources (Uses)</b>	<b>7,696,698.49</b>	<b>39,541,643.00</b>
<b>Extraordinary Item</b>		
Loss Recoveries		20,612,358.79
<b>Net Change in Fund Balances</b>	2,170,054.38	(30,935,753.27)
Fund Balances, July 1, 2007	15,388,474.97	42,517,264.01
<b>Fund Balances, June 30, 2008</b>	<b>\$ 17,558,529.35</b>	<b>\$ 11,581,510.74</b>

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

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
1,865,461.19	3,944,077.94	10,930,532.56
47,340,362.56	29,223,373.89	214,020,039.91
	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
	347,299.87	347,299.87
20,533,489.82	23,177,136.86	277,783,329.31
26,806,872.74	6,046,237.03	(63,763,289.40)
47,155.00	576,425.39	47,585,962.63
		19,659.30
		260,391.94
(36,100,356.81)	(11,481,513.83)	(47,585,962.63)
(36,053,201.81)	(10,905,088.44)	280,051.24
		20,612,358.79
(9,246,329.07)	(4,858,851.41)	(42,870,879.37)

**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,

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

		Governmental Activities - Internal Service Funds
<hr/>		
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	17,806.49
Investments		2,340,368.96
Due From Other Agencies		2,037.00
		<hr/>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>2,360,212.45</b>
		<hr/> <hr/>
<b>LIABILITIES</b>		
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/>
<b>Total Current Liabilities</b>		<b>62,266.87</b>
		<hr/>
<b>Total Liabilities</b>		<b>62,266.87</b>
		<hr/>
<b>NET ASSETS</b>		
Unrestricted		2,297,945.58
		<hr/>
<b>Total Net Assets</b>		<b>2,297,945.58</b>
		<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>2,360,212.45</b>
		<hr/> <hr/>

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

**EXHIBIT - H**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

		Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services	\$	377,444.00
Charges for Sales		25,646.00
Premium Revenues		17,218,276.93
<b>Total Operating Revenues</b>		<b>17,621,366.93</b>
<b>OPERATING EXPENSES</b>		
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
<b>Total Operating Expenses</b>		<b>17,543,516.76</b>
<b>Operating Income</b>		<b>77,850.17</b>
<b>NONOPERATING REVENUES</b>		
Interest		30,908.61
<b>Change in Net Assets</b>		<b>108,758.78</b>
Total Net Assets, July 1, 2007		2,189,186.80
<b>Total Net Assets, June 30, 2008</b>	<b>\$</b>	<b>2,297,945.58</b>

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

**EXHIBIT - I  
 CHARLOTTE COUNTY  
 DISTRICT SCHOOL BOARD  
 STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUNDS  
 For the Fiscal Year Ended June 30, 2008**

		Governmental Activities - Internal Service Funds
<hr/>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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/>
<b>Net Cash Provided by Operating Activities</b>		<b>79,006.01</b>
		<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments		(17,413,634.75)
Proceeds from Disposition of Investments		17,305,064.25
Interest Income		30,908.61
		<hr/>
<b>Net Cash Used by Investing Activities</b>		<b>(77,661.89)</b>
		<hr/>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>1,344.12</b>
Cash and Cash Equivalents, Beginning		16,462.37
		<hr/>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$</b>	<b>17,806.49</b>
		<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/>
<b>Total Adjustments</b>		<b>1,155.84</b>
		<hr/>
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b>79,006.01</b>
		<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>
<b>ASSETS</b>	
Cash	<u>\$ 2,301,105.77</u>
<b>LIABILITIES</b>	
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**



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

**EXHIBIT - K (Continued)  
CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD**

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

➤ **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

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

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

➤ **District Property Taxes**

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

- 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	32,741,399.54
 Total Investments		 \$ 81,502,498.74

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

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.



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

**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



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

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	5,890,406.50	4,550,000.00	1,340,406.50
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)	

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

**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	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	

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

**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>

**EXHIBIT - K (Continued)  
CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD**



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

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*,



**MARCH 2009**

**REPORT NO. 2009-179 2009-179**

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

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

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

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	29,850,539.01	23,106,385.84	6,744,153.17
	<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**  
**DISTRICT SCHOOL BOARD**  
**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 4(o)96.m.

**EXHIBIT - K (Continued)**  
**CHARLOTTE COUNTY**  
**DISTRICT SCHOOL BOARD**  
**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**

**MARCH**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
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 36,875,150.09	332,688.78 (425,848.91)
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)
<b>Total Revenues</b>	138,686,121.00	136,561,652.00	136,494,455.23	(67,196.77)
<b>Expenditures</b>				
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			



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>

**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)
<b>United States Department of Agriculture:</b>			
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	512,856.46
<b>Total United States Department of Agriculture</b>			<b>4,595,495.94</b>

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# 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, 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

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,



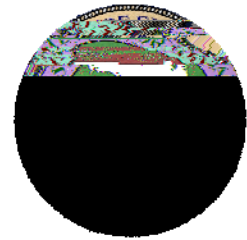
David W. Martin, CPA  
March 4, 2009



David W. Martin, CPA  
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 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





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**CHARLOTTE COUNTY  
DISTRICT**



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

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.

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**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.**

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**Finding No. 5: Information Technology – User Account Management**

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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.

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**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**

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

EXHIBIT - M  
MANAGEMENT'S RESPONSE



David C. Gayler, Ph.D.  
Superintendent

School Board

Barbara Herstein, Chairman  
Allison Miller, Vice Chairman  
Andrea Messines



[Redacted text]

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