



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



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:

	<i>District No.</i>
<i>Lee Swift</i>	<i>1</i>
<i>Connie Cantor to 11-15-04</i>	<i>2</i>
<i>Gayle Dean from 11-16-04 to 12-7-04 (Deceased)(1)</i>	<i>2</i>
<i>Alleen Miller from 1-31-05</i>	<i>2</i>
<i>Andrea Messina, Chairman to 11-15-04</i>	<i>3</i>
<i>Sue Sifrit, Vice-Chairman from 11-16-04</i>	<i>4</i>
<i>Barbara Y. Rendell, Vice-Chairman to 11-15-04, Chairman from 11-16-04</i>	<i>5</i>

Dr. David E. Gayler, Superintendent

Note: (1) District No. 2 office remained vacant until January 31, 2005

AUDITOR GENERAL

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

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
FINDINGS AND RECOMMENDATIONS.....	1
FINANCIAL SECTION	5
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	6
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	8
BASIC FINANCIAL STATEMENTS	18
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	48
FEDERAL REPORTS AND SCHEDULES	50
MANAGEMENT RESPONSE.....	59

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 compliance findings that are summarized below.

Finding No. 1: Information Technology - Security Controls

Improvements were needed in the District's information technology security procedures. Specific details of these improvements are not disclosed in this report to avoid any possibility of compromising the District's information systems data and resources.

Finding No. 2: Architect Liability Insurance

The District did not have policies and procedures to establish minimum insurance requirements for design professionals and had not documented that the insurance was in effect prior to awarding such contracts.

Finding No. 3: Fingerprinting Requirements

Improvements were needed in procedures for timely obtaining fingerprints and background checks for staff that have direct contact with students. Without an adequate process for performing the required background screenings on a timely basis, there is an increased risk that these individuals may have backgrounds that are not suitable for direct contact with students.

Finding No. 4: Direct-Support Organization

The District had not developed formal rules providing for budget review and oversight of its direct-support organization.

Finding No. 5: Control Environment - Charlotte Performing Arts Center

The District could enhance its internal control system with the development of written policies and procedures pertaining to the box office operations at the Charlotte Performing Arts Center.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Student Financial Assistance Cluster, Title I, Improving Teacher Quality, and Public Assistance Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

Our audit objectives were to determine whether the Charlotte County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient

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

- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 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 davidmartin@aud.state.fl.us 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 (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FINDINGS AND RECOMMENDATIONS

Reportable Conditions

Finding No. 1: Information Technology - Security Controls

Security features are necessary to protect the integrity, confidentiality, and availability of information systems' data and resources. During our audit, we identified improvements that could be made in the District's security procedures. Specific details of these improvements are not disclosed in this report to avoid any possibility of compromising the District's information systems data and resources. However, appropriate District personnel have been notified of the needed improvements. Weaknesses in access controls could increase the risk that individuals could gain unauthorized access to the system without timely detection.

Recommendation: The District should improve the appropriate control features to enhance security over the District's information technology resources.

Other Deficiencies

Finding No. 2: Architect Liability Insurance

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

The District entered into a contract with an architectural firm to design the Charlotte Technical Center medical services building, with an approximate construction cost of \$21 million. The District did not obtain proof of insurance at the time of the contract award to the firm hired to design the medical services building. In response to our request, the District obtained documentation evidencing that the architect's errors and omissions insurance coverage in effect for the \$21 million medical building was \$2 million per claim and \$2 million in aggregate. The insurance coverage in effect for the project may not be adequate based on the anticipated project cost. Adopting policies that establish uniform architect insurance requirements and procedures to verify those requirements would enhance the District's protection in the event that deficiencies exist in the work performed by these professionals.

Recommendation: The District should adopt policies and procedures to establish minimum insurance coverage requirements for design professionals and document that the insurance is in effect prior to awarding any projects.

Finding No. 3: Fingerprinting Requirements

The District should improve its procedures for timely obtaining fingerprints and background checks for staff that have direct contact with students. Sections 1012.56(9) and 1012.465, Florida Statutes (2004), required instructional personnel renewing their teaching certificates and noninstructional personnel every five years following employment, respectively, to undergo a background screening, including a requirement that such staff file a complete set of fingerprints. In a memorandum dated June 25, 2004, the Florida Department of Education recommended that, due to the large number of affected employees, districts conduct the background screenings for certified instructional employees every five years at the time of renewal of their teaching certificates and that background screenings be obtained for approximately 20 percent of the noninstructional employees each year over a five-year period in order to have all background screenings for such staff completed by July 1, 2009.

District records did not evidence that the District had established an adequate process during the 2004-05 fiscal year for performing the required background screenings for staff that had direct contact with students. Background screenings were not conducted for any of the recertifying instructors or education paraprofessionals and educational support staff with direct student contact. According to District personnel, the District was negotiating with the Charlotte Federal Educators Association for the instructional personnel as to whether the District or the employee would pay the cost of the background screenings. An agreement was reached in October 2005 that the District would pay for the background screenings. The District has not yet reached an agreement with the Charlotte County Support Personnel Association for the noninstructional personnel. According to District personnel, the District has hired a person to facilitate the fingerprinting, has procured a portable fingerprinting machine, and will start the required background screenings following employee training. However, without following the guidance provided by the Florida Department of Education to conduct the required background screening checks on a timely basis, there is an increased risk that instructional and noninstructional staff may have backgrounds that are not suitable for direct contact with students. Also, the requirements of the Jessica Lunsford Act which became effective September 1, 2005, with regard to persons under contract with the District, will further impact the need to enhance procedures for timely obtaining fingerprints and background checks.

Recommendation: The District should enhance its personnel procedures to ensure that required fingerprinting and background checks are performed for instructional and noninstructional staff on a timely basis. Also, documentation of these procedures should be retained in appropriate personnel records to document that the required fingerprinting and background checks were performed and reviewed as required.

Finding No. 4: Direct-Support Organization

Section 1001.453(2)(b), Florida Statutes, requires that a district school board shall prescribe by rule conditions with which a direct-support organization must comply in order to use property, facilities, or personal services of the district. The Statute further states that the rules shall provide for budget and audit review and oversight by

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 public accountant and the audit report shall be filed as public record in the District. Also, the School Board approved the Foundation's board members on August 23, 2005, and the audit report of the Foundation for the 2004-05 fiscal year is scheduled to be presented to the School Board on February 28, 2006. However, as of February 1, 2006, the District had not adopted rules providing for budget review and oversight of the direct support organization. A similar finding was noted in our report No. 2005-181.

Recommendation: The School Board should adopt rules providing for budget review and oversight of the direct-support organization.

Finding No. 5: Control Environment – Charlotte Performing Arts Center

The District could enhance its internal control system with the development of written policies and procedures pertaining to the box office operations at the Charlotte Performing Arts Center. The Charlotte Performance Arts Center (CPAC), located adjacent to Charlotte High School and managed by the District, commenced operations in September 2003. The CPAC offers school-sponsored events, local organization-sponsored events, and performances by professional artists to the local community, and reported approximately \$243,000 of revenues in the 2004-05 fiscal year. On-site CPAC administration is limited to a full-time manager and a secretary, and the box office is staffed by community volunteers. The current manager and the secretary were both hired during the 2005-06 fiscal year.

Our review disclosed that the CPAC does not have any written policies and procedures over box office operations, to include the handling of cash receipts, contracting for performances and invoicing promoters, and reconciling daily box office reports and other cash receipts to bank statements and accounting system reports. Written policies and procedures are necessary to ensure appropriate training of new staff, as well as to provide an aid in bridging the transition in the event of changes in key personnel. Additionally, written procedures serve to

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

Recommendation: The District should develop written policies and procedures for the box office operations at the Charlotte Performing Arts Center.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2005-181.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Charlotte County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on page 59.

FINANCIAL SECTION

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

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

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

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

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

EXHIBIT – G *Statement of Net Assets – Proprietary Funds.*

EXHIBIT – H *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.*

EXHIBIT – I *Statement of Cash Flows – Proprietary Funds.*

EXHIBIT – J *Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of June 30,

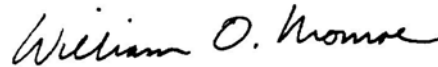
2005, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management's Discussion and Analysis (pages 8 through 17) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

February 7, 2006

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, 2005. 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 18 through 47.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2004-05 fiscal year are as follows:

- In total, net assets increased \$45,368,396.81, which represents a 27.9 percent increase from the 2003-04 fiscal year.
- General revenues total \$146,760,068.88 or 79.0 percent of all revenues and extraordinary items. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$20,990,361.18, or 11.3 percent. The extraordinary items total \$17,990,895.23, or 9.7 percent.
- Expenses total \$140,372,928.48; only \$20,990,361.18 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues and extraordinary items exceed total expenses by \$45,368,396.81.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$8,428,333.14 at June 30, 2005, or 7.5 percent of total General Fund expenditures.
- The District's total debt decreased by \$3,244,614.56, or approximately 18.1 percent. The key factor in this decrease was the debt service payments on bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

account for the Employee Benefit Insurance Program and the Special Projects Center Consortium. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated column in the proprietary funds financial statements.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2005, compared to net assets as of June 30, 2004:

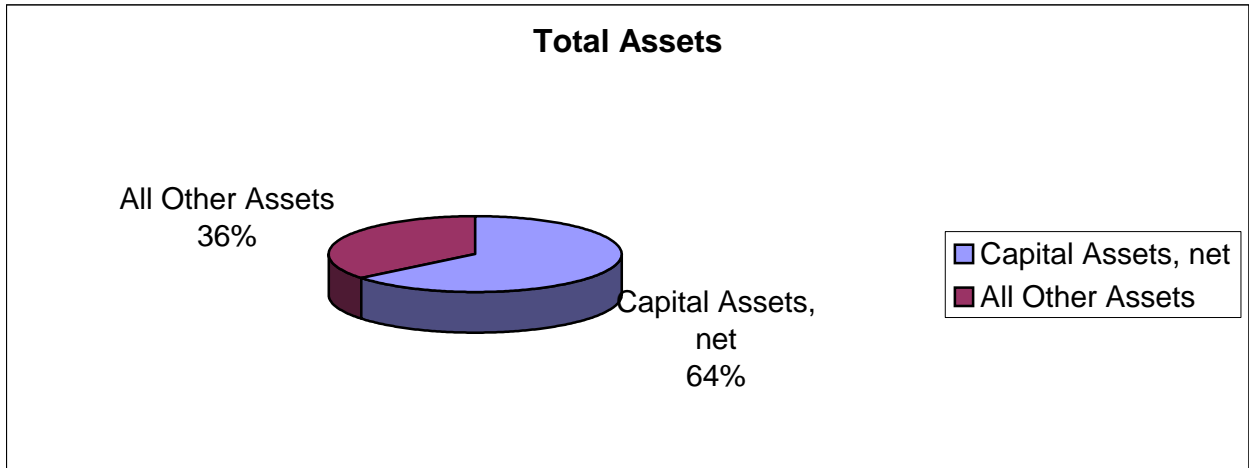
	Governmental		Increase (Decrease)	Percentage Change
	Activities			
	6-30-05	6-30-04		
Current and Other Assets	\$ 87,028,273.32	\$ 42,179,798.30	\$ 44,848,475.02	106%
Capital Assets	<u>154,992,079.28</u>	<u>154,309,765.14</u>	<u>682,314.14</u>	0%
Total Assets	<u>242,020,352.60</u>	<u>196,489,563.44</u>	<u>45,530,789.16</u>	23%
Current liabilities	10,471,272.16	7,206,626.25	3,264,645.91	45%
Long-Term Liabilities	<u>23,762,197.18</u>	<u>26,864,450.74</u>	<u>(3,102,253.56)</u>	-12%
Total Liabilities	<u>34,233,469.34</u>	<u>34,071,076.99</u>	<u>162,392.35</u>	0%
Net Assets:				
Invested in Capital Assets -				
Net of Debt	140,363,079.28	136,461,765.14	3,901,314.14	3%
Restricted	61,156,526.07	20,450,849.44	40,705,676.63	199%
Unrestricted	<u>6,267,277.91</u>	<u>5,505,871.87</u>	<u>761,406.04</u>	14%
Total Net Assets	<u>\$ 207,786,883.26</u>	<u>\$ 162,418,486.45</u>	<u>\$ 45,368,396.81</u>	28%

The largest portion of the District's net assets (68 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

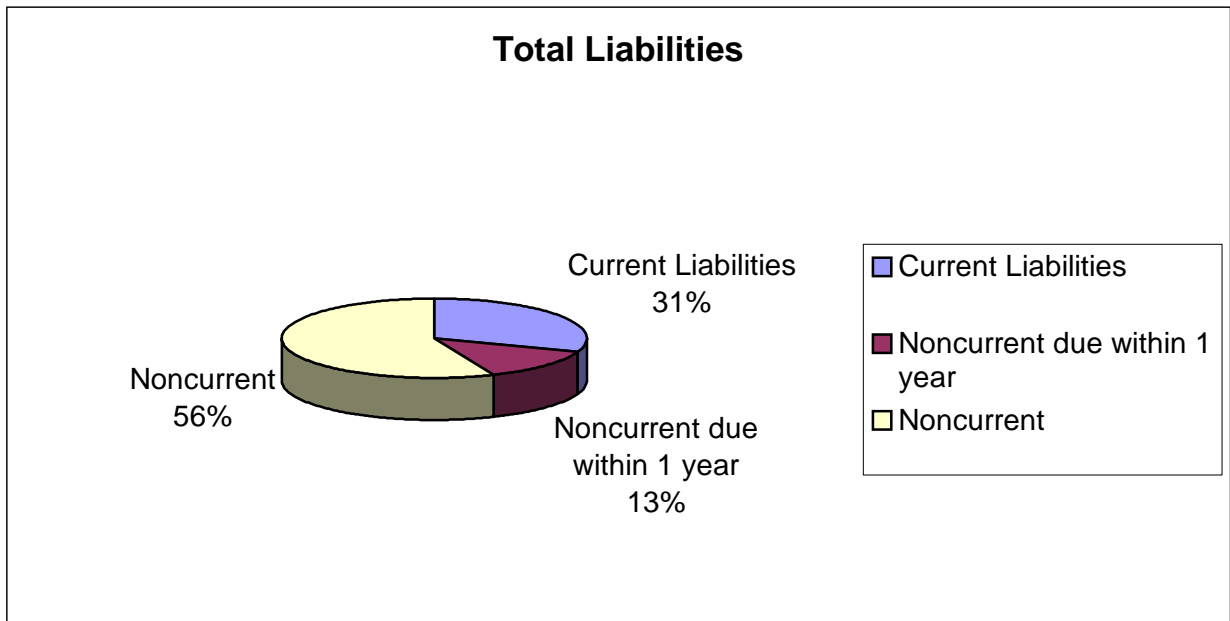
The restricted portion of the District’s net assets (29 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The following graphs show, in an analytical manner, the District’s assets, liabilities, and net assets.

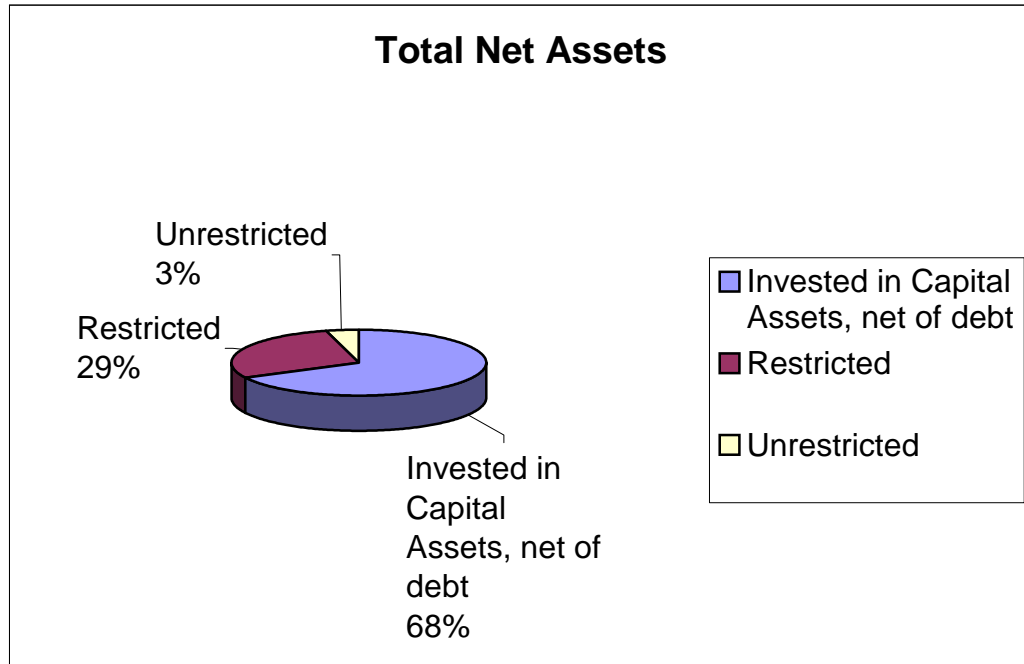
Total assets, distinguishing between net capital assets and other assets:



Total liabilities, distinguishing between current and noncurrent liabilities:



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



The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2005, and June 30, 2004, are as follows:

Operating Results for the Year

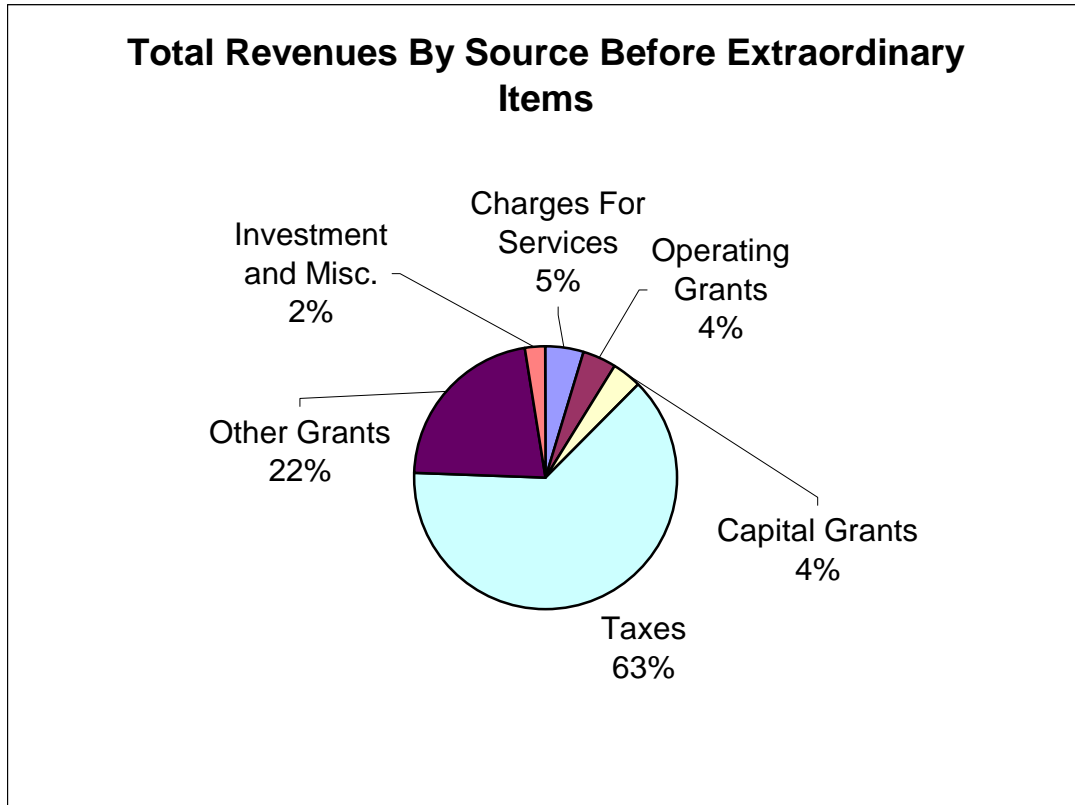
	Governmental		Increase (Decrease)	Percentage Change
	Activities			
	6-30-05	6-30-04		
Program Revenues:				
Charges for Services	\$ 7,911,828.29	\$ 8,337,844.88	\$ (426,016.59)	-5%
Operating Grants and Contributions	7,047,761.13	7,160,228.30	(112,467.17)	-2%
Capital Grants and Contributions	6,030,771.76	2,681,159.27	3,349,612.49	125%
General Revenues:				
Property Taxes, Levied for Operational Purposes	77,406,332.53	65,403,721.86	12,002,610.67	18%
Property Taxes, Levied for Debt Service	3,283,938.56	3,391,340.66	(107,402.10)	-3%
Property Taxes, Levied for Capital Projects	24,930,637.02	21,323,073.04	3,607,563.98	17%
Grants and Contributions Not Restricted to Specific Programs	36,901,117.01	40,899,087.01	(3,997,970.00)	-10%
Unrestricted Investment Earnings	2,133,235.47	584,347.22	1,548,888.25	265%
Miscellaneous	2,104,808.29	1,808,890.89	295,917.40	16%
Extraordinary Items	17,990,895.23		17,990,895.23	
Total Revenues	185,741,325.29	151,589,693.13	34,151,632.16	23%
Functions/Program Expenses:				
Instruction	64,840,587.34	61,667,390.83	3,173,196.51	5%
Pupil Personnel Services	7,608,393.75	6,964,845.58	643,548.17	9%
Instructional Media Services	2,071,831.66	2,078,353.80	(6,522.14)	0%
Instruction and Curriculum Development Services	5,329,438.28	5,054,921.82	274,516.46	5%
Instructional Staff Training	1,358,668.19	1,101,352.69	257,315.50	23%
Board of Education	495,360.59	470,868.43	24,492.16	5%
General Administration	627,662.66	486,191.80	141,470.86	29%
School Administration	6,721,344.77	6,493,453.66	227,891.11	4%
Facilities Acquisition and Construction	316,165.02	3,503,135.80	(3,186,970.78)	-91%
Fiscal Services	814,616.93	798,802.71	15,814.22	2%
Food Services	4,821,506.67	5,975,516.73	(1,154,010.06)	-19%
Central Services	17,829,306.58	15,558,712.27	2,270,594.31	15%
Pupil Transportation Services	5,921,674.29	4,825,447.71	1,096,226.58	23%
Operation of Plant	9,302,471.44	9,194,962.16	107,509.28	1%
Maintenance of Plant	3,339,501.40	3,122,028.72	217,472.68	7%
Community Services	661,430.80	115,011.84	546,418.96	475%
Interest on Long-Term Debt	991,564.80	955,371.90	36,192.90	4%
Unallocated Depreciation Expenses	7,321,403.31	7,556,809.82	(235,406.51)	-3%
Total Functions/Program Expenses	140,372,928.48	135,923,178.27	4,449,750.21	3%
Increase in Net Assets	\$ 45,368,396.81	\$ 15,666,514.86	\$ 29,701,881.95	190%

The largest revenue source for the 2004-05 fiscal year is from the property tax levy, which resulted in total revenue for operational, debt service, and capital purposes of \$105,620,808.11, or 63 percent of total revenues, excluding extraordinary items. Revenues from State sources for current operations are primarily received through the Florida Educational Finance Program (FEFP) funding formula. The FEFP formula utilized student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Revenues from State sources for current operations total \$35,456,600.82 for the 2004-05 fiscal year, of which \$7,958,213 is attributable to FEFP funding.

Capital Grants and Contributions had a net increase of \$3,349,612.49 or 125 percent, primarily due to a new Public Education Capital Outlay allocation from the State in the amount of \$4,034,782.

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:



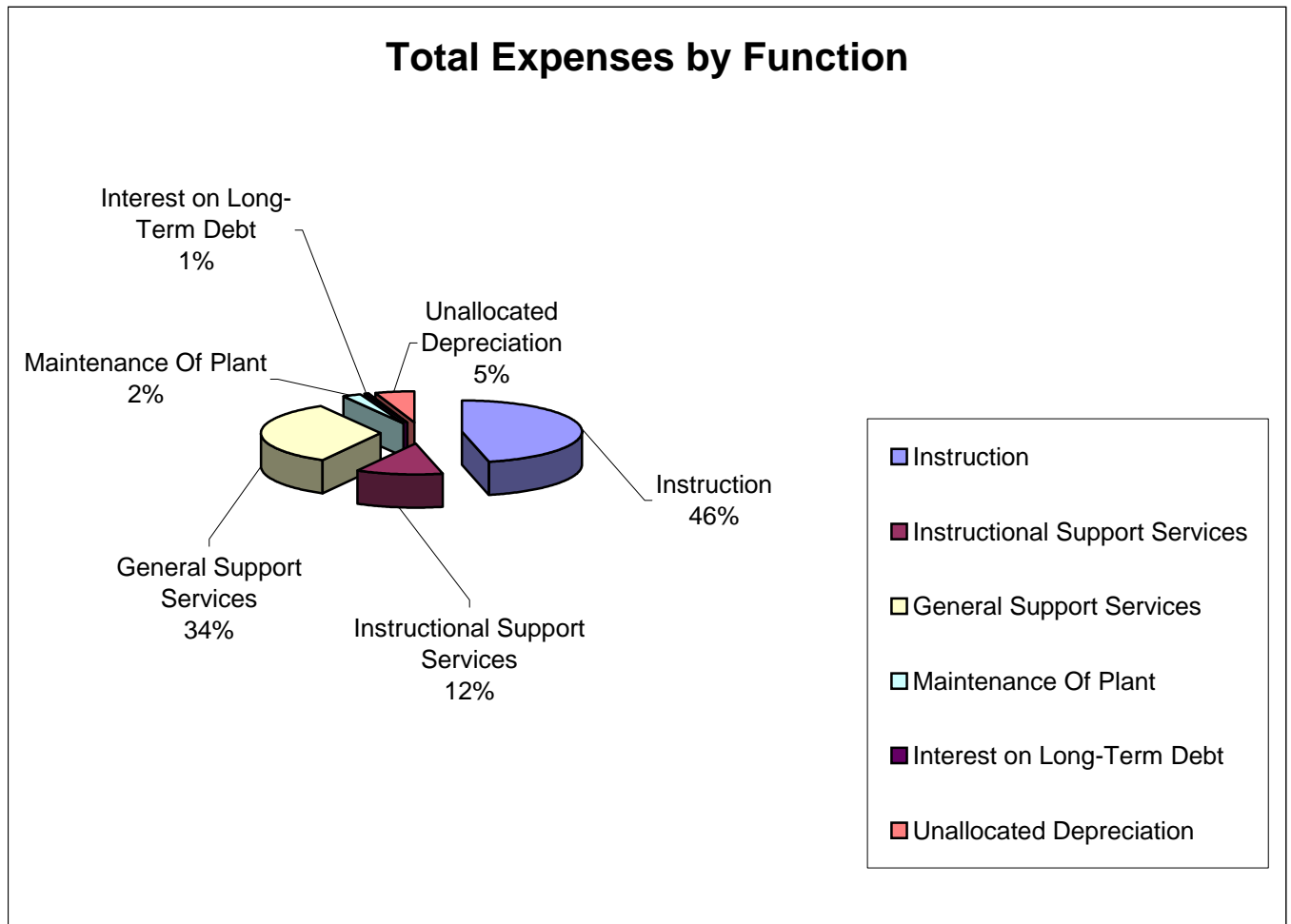
Instructional expenses represent 46 percent of total governmental expenses in the 2004-05 fiscal year. Instructional expenses increased by \$3,173,196.51, or 5 percent, from the previous year, due mainly to a 4 to 5 percent pay raise and an increase in the District’s required contributions to the Florida Retirement System due to increased salary expense.

Expenditures for Facilities and Acquisition and Construction had a net decrease of \$3,186,970.78, or 91 percent, primarily due to planned renovations not being executed because of Hurricane Charley.

Expenditures for Food Services had a net decrease of \$1,154,010.06, or 19 percent, primarily due to fewer meals served as schools were placed on dual sessions because of Hurricane Charley.

Expenditures for Pupil Transportation Services had a net increase of \$1,096,226.58, or 23 percent, primarily due to more students needed transportation while on dual sessions because of Hurricane Charley.

The following graph shows total expenses by function:



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$8,428,333.14, while the total fund balance is \$12,154,697.14. The unreserved fund balance increased by \$83,429.95, while the total fund balance increased by \$2,635,868.85 during the fiscal year. Key factors in this growth are as follows:

- An increase in the local property tax rate coupled with increased property values increased tax revenues by \$12,002,610.67.
- Total expenditures increased by \$7,490,148.03, or 7.2 percent, due mainly to a 4 - 5 percent pay increase, employment of additional staff, and an increase in required contributions to the Florida Retirement System.
- Factors affecting total fund balance also include an increase of \$2,415,036 in the unexpended balance of State categorical program revenues which are required to be carried forward to the following year to be expended for specific categorical educational programs.

The Special Revenue - Miscellaneous Fund has a total fund balance of \$25,657,500.70, all of which is restricted for the reconstruction and restoration of capital assets and extra expenses associated with hurricane damages

caused by Hurricane Charley in August 2004. The Local Capital Improvement Fund has a total fund balance of \$29,486,595.73, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

Proprietary Funds

Unrestricted net assets of the Internal Service Funds total \$2,368,398.68 at June 30, 2005, an increase of \$552,784.96. This increase occurred primarily because of an increase in premium revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

In analyzing the budget variances between the original and final budgets, there are no significant variations in revenue or expenses. Actual revenue variances with the final budget are within acceptable ranges. The amount received exceeded budgeted amounts by 0.8 percent. Expenditures also fell within range, except for instructional staff training, where expenses were approximately 62.6 percent of the budget. The majority of these funds are categorical programs that can and will be carried over to the next year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$154,992,079.28 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year include the following:

- Several schools had major remodeling projects completed during the year, for a total of \$4,165,584. A new transportation facility was completed in Murdock, with a cost of \$2,340,942. The District, as part of the hurricane recovery process, has demolished all or a major part of three campuses, East Elementary School, Punta Gorda Middle School, and the Baker Center, with some buildings removed at Charlotte High School. Additional demolitions will occur in the next year at two other elementary schools and other buildings at Charlotte High School. These facilities will be replaced using funds from our insurance proceeds, along with help from Public Assistance Grants and the State of Florida.
- Under District policy, school buses are to be replaced every ten years. Total cost of new buses for the current year totaled \$355,418.

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

Long-Term Debt

At June 30, 2005, the District has total long-term debt outstanding of \$14,697,305. This amount is comprised entirely of bonds payable. During the year, retirement of debt amounted to \$3,244,614.

Additional information on the District's long-term debt can be found in Notes 6 and 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As mentioned at various times in this report, the District was affected by an active hurricane season during 2004. The impact this will have on the District is ongoing. Assistance from Public Assistance Grants, the State of

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

REQUESTS FOR INFORMATION

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

**EXHIBIT - A
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2005**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 42,852.70
Investments	81,145,428.41
Accounts Receivable, Net	63,965.51
Due from Other Agencies	5,098,853.41
Deferred Charges	68,305.51
Inventories	601,256.10
Restricted Assets:	
Cash with Fiscal Agent	7,611.68
Capital Assets:	
Land	7,269,946.34
Construction in Progress	9,249,243.15
Improvements Other Than Buildings, Net	2,398,749.74
Buildings and Fixed Equipment, Net	123,791,235.29
Furniture, Fixtures, and Equipment, Net	8,234,599.71
Motor Vehicles, Net	3,904,786.34
Audio Visual Materials and Computer Software, Net	143,518.71
TOTAL ASSETS	<u>\$ 242,020,352.60</u>
LIABILITIES	
Salaries and Benefits Payable	\$ 689,829.46
Payroll Deductions and Withholdings	640,081.78
Accounts Payable	6,136,471.50
Construction Contracts Payable	1,631,977.66
Accrued Interest Payable	213,539.41
Deposit Payable	108,001.13
Sales Tax Payable	10.50
Deferred Revenue	1,051,360.72
Long-Term Liabilities:	
Portion Due Within One Year:	
Bonds Payable	3,375,000.00
Compensated Absences Payable	1,036,191.55
Portion Due After One Year:	
Bonds Payable	11,322,305.51
Compensated Absences Payable	8,028,700.12
Total Liabilities	<u>34,233,469.34</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	140,363,079.28
Restricted for:	
State Categorical Programs	2,850,189.00
Debt Service	56,030.00
Capital Projects	32,576,218.08
Other Purposes	25,674,088.99
Unrestricted	6,267,277.91
Total Net Assets	<u>207,786,883.26</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 242,020,352.60</u>

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

EXHIBIT - B
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net(Expense) Revenue and Changes In Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
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)
General Administration	627,662.66				(627,662.66)
School Administration	6,721,344.77				(6,721,344.77)
Facilities Acquisition and Construction	316,165.02			4,146,306.75	3,830,141.73
Fiscal Services	814,616.93				(814,616.93)
Food Services	4,821,506.67	2,216,440.02	3,688,611.13		1,083,544.48
Central Services	17,829,306.58	4,868,511.49			(12,960,795.09)
Pupil Transportation Services	5,921,674.29	116,074.34	3,359,150.00		(2,446,449.95)
Operation of Plant	9,302,471.44				(9,302,471.44)
Maintenance of Plant	3,339,501.40			1,282,723.00	(2,056,778.40)
Community Services	661,430.80				(661,430.80)
Interest on Long-Term Debt	991,564.80			601,742.01	(389,822.79)
Unallocated Depreciation Expenses	7,321,403.31				(7,321,403.31)
Total Governmental Activities	\$ 140,372,928.48	\$ 7,911,828.29	\$ 7,047,761.13	\$ 6,030,771.76	(119,382,567.30)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					77,406,332.53
Property Taxes, Levied for Debt Service					3,283,938.56
Property Taxes, Levied for Capital Projects					24,930,637.02
Grants and Contributions Not Restricted to Specific Programs					36,901,117.01
Unrestricted Investment Earnings					2,133,235.47
Miscellaneous					2,104,808.29
Extraordinary Items - Loss Recoveries					17,990,895.23
Total General Revenues and Extraordinary Items					164,750,964.11
Change in Net Assets					45,368,396.81
Net Assets - July 1, 2004					162,418,486.45
Net Assets - June 30, 2005					\$ 207,786,883.26

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

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

	General Fund	Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash	\$ 40,802.70	\$	\$
Investments	11,585,572.52	29,910,285.01	29,939,797.06
Accounts Receivable, Net	2,848.32		
Due from Other Funds	517,027.26		
Due from Other Agencies	1,588,883.43		438,073.19
Inventories	399,437.35		
TOTAL ASSETS	\$ 14,134,571.58	\$ 29,910,285.01	\$ 30,377,870.25
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 580,375.82	\$ 3,994.67	\$ 5,487.63
Payroll Deductions and Withholding	503,318.44	3,159.73	8,018.79
Accounts Payable	890,920.18	2,828,354.64	619,153.94
Construction Contracts Payable - Retainage		1,222,860.55	258,614.16
Sales Tax Payable			
Due to Other Funds			
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	2,850,189.00		
Reserved for Encumbrances	876,175.00		22,540,495.00
Reserved for Debt Service			
Reserved for Other Purposes		25,657,500.70	
Unreserved, reported in:			
General Fund	8,428,333.14		
Special Revenue Funds			
Debt Service Funds			
Capital Project Funds			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 - C

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
2,286,996.73	1,750.00	42,552.70
	4,675,993.45	78,398,644.77
	1,526.90	4,375.22
		517,027.26
1,451,642.00	1,620,254.79	5,098,853.41
	201,818.75	601,256.10
<u>\$ 3,738,638.73</u>	<u>\$ 6,501,343.89</u>	<u>\$ 84,662,709.46</u>
\$	\$	\$
	94,249.12	684,107.24
	118,008.75	632,505.71
1,354,526.49	132,707.74	5,825,662.99
150,502.95		1,631,977.66
	10.50	10.50
	457,647.89	457,647.89
	45,600.37	45,600.37
	851,686.00	1,051,360.72
<u>1,505,029.44</u>	<u>1,699,910.37</u>	<u>10,328,873.08</u>
		2,850,189.00
	26,088.00	23,442,758.00
	269,569.41	269,569.41
	16,588.29	25,674,088.99
		8,428,333.14
	1,301,448.92	1,301,448.92
	2,331,725.84	2,331,725.84
<u>2,233,609.29</u>	<u>856,013.06</u>	<u>10,035,723.08</u>
<u>2,233,609.29</u>	<u>4,801,433.52</u>	<u>74,333,836.38</u>
<u>\$ 3,738,638.73</u>	<u>\$ 6,501,343.89</u>	<u>\$ 84,662,709.46</u>

**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	\$ 14,697,305.51	
Compensated Absences Payable	9,064,891.67	(23,762,197.18)
Total Net Assets - Governmental Activities	\$	<u>207,786,883.26</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK.

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, 2005

	General Fund	Special Revenue - Miscellaneous Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 139,911.14	\$	\$
Federal Through State	412,394.64	509,445.12	
State	29,154,329.52	27,632.92	
Local	<u>81,083,102.08</u>	<u>577,432.77</u>	<u>25,495,340.46</u>
Total Revenues	<u>110,789,737.38</u>	<u>1,114,510.81</u>	<u>25,495,340.46</u>
Expenditures			
Current - Education:			
Instruction	65,376,694.29	5,116,530.97	
Pupil Personnel Services	7,440,825.58	142,362.33	
Instructional Media Services	2,070,769.53	575,211.39	
Instruction and Curriculum Development Services	3,324,693.09	10,373.26	
Instructional Staff Training	831,493.15	902.90	
Board of Education	521,352.67		
General Administration	296,831.35		
School Administration	7,064,516.52	40,794.52	
Facilities Acquisition and Construction		13,357,495.23	2,181,711.36
Fiscal Services	856,937.94	16,487.96	
Food Services		715,141.85	
Central Services	3,248,732.45	214,163.99	
Pupil Transportation Services	6,645,524.99	115,370.23	
Operation of Plant	9,784,967.72	115,185.13	
Maintenance of Plant	3,518,928.51	15,228,781.87	
Community Services	670,616.80	666.67	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			10,184,088.74
Other Capital Outlay		4,063,333.10	
Debt Service:			
Principal			
Interest and Fiscal Charges	<u>270,323.41</u>		
Total Expenditures	<u>111,923,208.00</u>	<u>39,712,801.40</u>	<u>12,365,800.10</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,133,470.62)</u>	<u>(38,598,290.59)</u>	<u>13,129,540.36</u>
Other Financing Sources (Uses)			
Transfers In	3,705,428.51		614,699.17
Insurance Loss Recoveries	66,434.69		
Transfers Out	<u>(2,523.73)</u>		<u>(2,422,705.51)</u>
Total Other Financing Sources (Uses)	<u>3,769,339.47</u>		<u>(1,808,006.34)</u>
Extraordinary Items			
Loss Recoveries		<u>64,255,791.29</u>	
Net Change in Fund Balances	2,635,868.85	25,657,500.70	11,321,534.02
Fund Balances, July 1, 2004	<u>9,518,828.29</u>		<u>18,165,061.71</u>
Fund Balances, June 30, 2005	<u>\$ 12,154,697.14</u>	<u>\$ 25,657,500.70</u>	<u>\$ 29,486,595.73</u>

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

EXHIBIT - E

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$	\$	\$
	2,011,720.78	2,151,631.92
	11,449,577.40	12,371,417.16
4,034,782.00	2,239,856.38	35,456,600.82
	5,631,932.87	112,787,808.18
<u>4,034,782.00</u>	<u>21,333,087.43</u>	<u>162,767,458.08</u>
	5,606,304.25	76,099,529.51
	719,508.43	8,302,696.34
	70,433.08	2,716,414.00
	2,362,328.25	5,697,394.60
	554,169.14	1,386,565.19
		521,352.67
	328,525.37	625,356.72
	161,476.78	7,266,787.82
		15,539,206.59
	23,836.13	897,262.03
	6,192,003.33	6,907,145.18
	19,762.85	3,482,659.29
	3,240.72	6,764,135.94
	31,209.78	9,931,362.63
		18,747,710.38
		671,283.47
1,801,172.71	217,003.64	12,202,265.09
		4,063,333.10
	3,300,000.00	3,300,000.00
	668,920.56	939,243.97
<u>1,801,172.71</u>	<u>20,258,722.31</u>	<u>186,061,704.52</u>
<u>2,233,609.29</u>	<u>1,074,365.12</u>	<u>(23,294,246.44)</u>
	2,523.73	4,322,651.41
		66,434.69
	(1,897,422.17)	(4,322,651.41)
	(1,894,898.44)	66,434.69
		64,255,791.29
2,233,609.29	(820,533.32)	41,027,979.54
	5,621,966.84	33,305,856.84
<u>\$ 2,233,609.29</u>	<u>\$ 4,801,433.52</u>	<u>\$ 74,333,836.38</u>

EXHIBIT - F
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 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 current 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.	<u>552,784.96</u>

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	\$ 7,911.68
Investments	2,746,783.64
Due From Other Agencies	<u>210.92</u>
TOTAL ASSETS	\$ <u>2,754,906.24</u>

LIABILITIES

Current Liabilities:	
Salaries and Benefits Payable	\$ 5,722.22
Payroll Deductions and Withholdings	7,576.07
Accounts Payable	310,808.51
Deposits Payable	<u>62,400.76</u>
Total Liabilities	<u>386,507.56</u>

NET ASSETS

Unrestricted	<u>2,368,398.68</u>
Total Net Assets	<u>2,368,398.68</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,754,906.24</u>

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, 2005**

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for Services	\$	366,139.00
Charges for Sales		40,246.66
Premium Revenues		14,483,321.67
Other Operating Revenues		4,370.73
Total Operating Revenues		14,894,078.06
OPERATING EXPENSES		
Salaries		271,795.45
Employee Benefits		89,210.47
Purchased Services		13,936,636.30
Energy Services		6,884.27
Materials and Supplies		40,142.76
Capital Outlay		13,623.20
Other Expenses		226.45
Total Operating Expenses		14,358,518.90
Operating Income		535,559.16
NONOPERATING REVENUES		
Interest		17,225.80
Change in Net Assets		552,784.96
Total Net Assets, July 1, 2004		1,815,613.72
Total Net Assets, June 30, 2005	\$	2,368,398.68

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, 2005**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 14,903,769.88
Cash Payments to Vendors for Goods and Services	(14,027,223.15)
Cash Payment to Employees for Services	(360,210.91)
	<u>516,335.82</u>
Net Cash Provided by Operating Activities	<u>516,335.82</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(14,710,486.19)
Proceeds from Disposition of Investments	14,174,655.38
Interest Income	17,225.80
	<u>(518,605.01)</u>
Net Cash Used by Investing Activities	<u>(518,605.01)</u>
Net Decrease in Cash	(2,269.19)
Cash, Beginning	<u>10,180.87</u>
Cash, Ending	<u>\$ 7,911.68</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 535,559.16</u>
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	8,665.96
	<u>(19,223.34)</u>
Total Adjustments	<u>(19,223.34)</u>
Net Cash Provided by Operating Activities	<u>\$ 516,335.82</u>

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, 2005

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

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

EXHIBIT – K
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Charlotte County School District is considered part of the Florida system of public education. The governing body of the school district is the Charlotte County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Charlotte County.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the District.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the School District.

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

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

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

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

The District reports the following major governmental funds:

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Miscellaneous Fund – to account for the financial resources generated by insurance proceeds, 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.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – 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:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for 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.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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

➤ **Deposits and Investments**

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

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

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost using a moving-average pricing method, except that the United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	7 - 10 years
Audio Visual Materials and Computer Software	5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds payable are reported net of the applicable bond premium or discount. 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.

➤ **State Revenue Sources**

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

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the lottery-funded Public School Capital Outlay Program (commonly called the Classrooms for Kids program). The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Classrooms for Kids funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2004 tax levy on October 5, 2004. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Charlotte County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2005, the District has the following investments and maturities:

Investment	Maturities	Fair Value
Nations Treasury Reserve Money Market Fund	48 Day Average	\$ 7,271,103.95
State Board of Administration Local Government Surplus Funds - Trust Funds Investment Pool	54 Day Average	73,729,555.05
State Board of Administration Debt Service Accounts	6 Months	144,769.41
Total Investments, Primary Government		<u>\$ 81,145,428.41</u>

Interest Rate Risk

- 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

- 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:

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

- 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.
- As of June 30, 2005, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
 - 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.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

	Balance 7-1-04	Additions	Deletions	Balance 6-30-05
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 7,191,774.59	\$ 78,171.75	\$	\$ 7,269,946.34
Construction in Progress	5,197,147.57	10,642,892.82	6,590,797.24	9,249,243.15
Total Capital Assets Not Being Depreciated	12,388,922.16	10,721,064.57	6,590,797.24	16,519,189.49
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,983,915.58	166,597.87	295,585.71	6,854,927.74
Buildings and Fixed Equipment	168,785,103.14	6,590,797.24	9,097,964.09	166,277,936.29
Furniture, Fixtures, and Equipment	25,534,386.88	3,250,737.21	5,769,258.92	23,015,865.17
Motor Vehicles	9,600,584.54	399,122.00	347,172.35	9,652,534.19
Audio Visual Materials and Computer Software	1,362,296.44	18,290.46		1,380,586.90
Total Capital Assets Being Depreciated	212,266,286.58	10,425,544.78	15,509,981.07	207,181,850.29
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,380,193.00	320,017.00	244,032.00	4,456,178.00
Buildings and Fixed Equipment	42,734,222.00	3,315,163.00	3,562,684.00	42,486,701.00
Furniture, Fixtures, and Equipment	16,768,400.35	2,816,863.10	4,803,997.99	14,781,265.46
Motor Vehicles	5,344,576.02	750,344.25	347,172.42	5,747,747.85
Audio Visual Materials and Computer Software	1,118,052.23	119,015.96		1,237,068.19
Total Accumulated Depreciation	70,345,443.60	7,321,403.31	8,957,886.41	68,708,960.50
Total Capital Assets Being Depreciated, Net	141,920,842.98	3,104,141.47	6,552,094.66	138,472,889.79
Governmental Activities Capital Assets, Net	\$ 154,309,765.14	\$ 13,825,206.04	\$ 13,142,891.90	\$ 154,992,079.28

The District's capital assets serve several functions; accordingly, depreciation expenses, which total \$7,321,403.31, are not charged to functions but are shown as unallocated on the statement of activities.

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-04	Additions	Deletions	Balance 6-30-05
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Notes	\$ 0.00	\$ 20,000,000.00	\$ 20,000,000.00	\$ 0.00

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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	<u>8,980,000.00</u>	2.0 - 2.5	2008
Subtotal	14,845,000.00		
Add: Unamortized Premium on Debt	34,885.65		
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(182,580.14)</u>		
Total Bonds Payable	<u>\$14,697,305.51</u>		

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

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District 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.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

➤ **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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2006	\$ 608,163.00	\$ 320,000.00	\$ 288,163.00
2007	606,313.00	335,000.00	271,313.00
2008	611,462.00	355,000.00	256,462.00
2009	610,737.00	370,000.00	240,737.00
2010	611,819.00	390,000.00	221,819.00
2011-2015	3,064,737.00	2,280,000.00	784,737.00
2016-2019	<u>1,869,113.00</u>	<u>1,695,000.00</u>	<u>174,113.00</u>
Total State School Bonds	<u>7,982,344.00</u>	<u>5,745,000.00</u>	<u>2,237,344.00</u>
District Revenue Bonds:			
2006	<u>124,500.00</u>	<u>120,000.00</u>	<u>4,500.00</u>
General Obligation Bonds:			
2006	3,129,875.00	2,935,000.00	194,875.00
2007	3,126,175.00	2,990,000.00	136,175.00
2008	<u>3,131,375.00</u>	<u>3,055,000.00</u>	<u>76,375.00</u>
Subtotal	9,387,425.00	8,980,000.00	407,425.00
Add: Unamortized Premium on Debt	34,885.65	34,885.65	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(182,580.14)</u>	<u>(182,580.14)</u>	
Total General Obligation Bonds	<u>9,239,730.51</u>	<u>8,832,305.51</u>	<u>407,425.00</u>
Total	<u>\$ 17,346,574.51</u>	<u>\$ 14,697,305.51</u>	<u>\$ 2,649,269.00</u>

7. CHANGES IN LONG-TERM LIABILITIES

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

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 517,027.26	\$
Nonmajor Governmental Funds		457,647.89
Agency Funds		<u>59,379.37</u>
Total	<u>\$ 517,027.26</u>	<u>\$ 517,027.26</u>

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09(2), Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement. The moneys loaned by the General Fund to the Nonmajor Governmental Funds and the Agency Funds will be repaid within the 2005-06 fiscal year.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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	<u>2,523.73</u>	<u>1,897,422.17</u>
Total	<u>\$ 4,322,651.41</u>	<u>\$ 4,322,651.41</u>

Transfers in to the General Fund were to finance various District maintenance projects and equipment purchases. The transfer in to the Local Capital Improvement Fund from Nonmajor Governmental Funds (Public Education Outlay Fund) was to finance various capital improvements to ancillary facilities. The transfer out of the General Fund was to finance the local non-Federal share of grant expenditures.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2004-05 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 7,958,213.00
Categorical Educational Programs:	
Class Size Reduction	6,016,382.00
Transportation	3,359,150.00
Instructional Materials	1,516,185.00
Discretionary Lottery Funds	909,125.00
Other	2,041,767.66
Classrooms For Kids Program	4,034,782.00
Hurricane Relief Funds	3,930,038.00
Workforce Development Program	2,884,147.00
Gross Receipts Tax (Public Education Capital Outlay)	1,282,723.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	703,380.00
Miscellaneous	<u>820,708.16</u>
Total	<u>\$ 35,456,600.82</u>

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

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2004 tax roll for the 2004-05 fiscal year:

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.625	\$ 73,081,965
Basic Discretionary Local Effort	0.510	6,623,915
Supplemental Discretionary Local Effort	0.074	963,617
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.260	3,378,011
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	25,984,699
Total	8.469	\$ 110,032,207

12. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The defined benefit plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2004-05 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	9.37
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.08 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005, totaled \$4,040,489.08, \$5,611,716.49, and \$5,682,053.96 respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2005, totaled \$385,972.80.

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

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

13. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Port Charlotte High School:			
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 assets; errors and omissions; injuries to employees; and natural disasters. The Charlotte County District School Board is a member of the South Central Risk Management Consortium 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 assessments (premiums), and purchases coverage through commercial companies for claims 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.

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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:

EXHIBIT - K (Continued)
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

17. EXTRAORDINARY ITEMS

The following is a summary of financial information as reported in the Statement of Activities for the 2004-05 fiscal year:

Extraordinary Items:	
Insurance Proceeds Received	<u>\$64,255,791.29</u>
Expenditures for Replacement of	
Structures, Equipment, Supplies, and Other Expenses	(39,712,801.40)
Loss on depreciated property	<u>(6,552,094.66)</u>
Subtotal	<u>(46,264,896.06)</u>
Total Extraordinary Items	<u>\$17,990,895.23</u>

EXHIBIT - L
CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2005

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 134,000.00	\$ 134,000.00	\$ 139,911.14	\$ 5,911.14
Federal Through State	328,996.00	313,524.00	412,394.64	98,870.64
State	28,574,889.00	29,650,812.00	29,154,329.52	(496,482.48)
Local	79,578,624.00	79,839,834.00	81,083,102.08	1,243,268.08
Total Revenues	<u>108,616,509.00</u>	<u>109,938,170.00</u>	<u>110,789,737.38</u>	<u>851,567.38</u>
Expenditures				
Current - Education:				
Instruction	68,112,441.00	67,808,034.00	65,376,694.29	2,431,339.71
Pupil Personnel Services	7,170,294.00	7,597,450.00	7,440,825.58	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	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				
Fiscal Services	875,851.00	870,959.00	856,937.94	14,021.06
Food Services				
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	<u>114,318,652.00</u>	<u>116,447,535.00</u>	<u>111,923,208.00</u>	<u>4,524,327.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,702,143.00)</u>	<u>(6,509,365.00)</u>	<u>(1,133,470.62)</u>	<u>5,375,894.38</u>
Other Financing Sources (Uses)				
Transfers In	3,600,000.00	3,705,429.00	3,705,428.51	(0.49)
Proceeds from Sale of Capital Assets				
Insurance Loss Recoveries			66,434.69	66,434.69
Transfers Out		(10,466.00)	(2,523.73)	7,942.27
Total Other Financing Sources (Uses)	<u>3,600,000.00</u>	<u>3,694,963.00</u>	<u>3,769,339.47</u>	<u>74,376.47</u>
Extraordinary Items				
Loss Recoveries				
Net Change in Fund Balances	(2,102,143.00)	(2,814,402.00)	2,635,868.85	5,450,270.85
Fund Balances, July 1, 2004	9,495,527.00	9,495,527.00	9,518,828.29	23,301.29
Fund Balances, June 30, 2005	<u>\$ 7,393,384.00</u>	<u>\$ 6,681,125.00</u>	<u>\$ 12,154,697.14</u>	<u>\$ 5,473,572.14</u>

EXHIBIT - L

Special Revenue - Miscellaneous Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$	\$	\$
		509,445.12	509,445.12
		27,632.92	27,632.92
	577,432.77	577,432.77	
	577,432.77	1,114,510.81	537,078.04
	5,116,530.97	5,116,530.97	
	142,362.33	142,362.33	
	575,211.39	575,211.39	
	10,373.26	10,373.26	
	902.90	902.90	
	40,794.52	40,794.52	
	13,357,495.23	13,357,495.23	
	16,487.96	16,487.96	
	715,141.85	715,141.85	
	214,163.99	214,163.99	
	115,370.23	115,370.23	
	115,185.13	115,185.13	
	15,228,781.87	15,228,781.87	
	666.67	666.67	
	4,063,333.10	4,063,333.10	
	39,712,801.40	39,712,801.40	
	(39,135,368.63)	(38,598,290.59)	537,078.04
	64,225,791.29	64,225,791.29	
	25,090,422.66	25,627,500.70	537,078.04
\$	\$	\$	\$
0.00	25,090,422.66	25,627,500.70	537,078.04

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



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 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 Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the District's basic financial statements and not to provide an opinion on the District's internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. This matter is discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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.

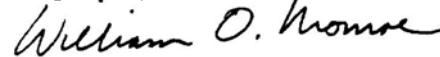
Compliance and Other Matters

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,



William O. Monroe, CPA

February 7, 2006



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. The District's major Federal programs are identified in the **SUMMARY OF AUDIT RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of the District's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB'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 fiscal year ended June 30, 2005.

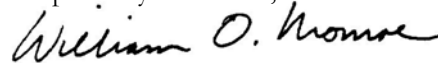
Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

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

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

Respectfully submitted,



William O. Monroe, CPA

February 7, 2006

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services: Food Donation	10.550 (2)	None	<u>\$ 115,816.13</u>
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	564,540.13
National School Lunch Program	10.555	300	2,760,878.87
Summer Food Service Program for Children	10.559	323	<u>141,792.00</u>
Total Child Nutrition Cluster			<u>3,467,211.00</u>
Total United States Department of Agriculture			<u>3,583,027.13</u>
Federal Mediation and Conciliation Service:			
Direct:			
Labor Management Cooperation	34.002	N/A	<u>25,237.26</u>
United States Environmental Protection Agency:			
Direct:			
Environmental Education Grants	66.951	N/A	<u>1,237.14</u>
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	9,160.25
Federal Pell Grant Program	84.063	N/A	<u>145,424.00</u>
Total Student Financial Assistance Program Cluster			<u>154,584.25</u>
Fund for the Improvement of Education	84.215	N/A	<u>9,687.64</u>
Total Direct			164,271.89
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263, 261	3,335,235.94
Special Education - Preschool Grants	84.173	267	79,322.13
Washington County District School Board:			
Special Education - Grants to States	84.027	None	<u>68.66</u>
Total Special Education Cluster			<u>3,414,626.73</u>
Florida Department of Education:			
Adult Education - State Grant Program	84.002	191	428,257.55
Title I Grants to Local Educational Agencies	84.010	212	2,456,767.83
Vocational Education - Basic Grants to States	84.048	151	290,337.25
Safe and Drug-Free Schools and Communities - National Programs	84.184	107	27,469.10
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	67,026.06
Education for Homeless Children and Youth	84.196	127	103,459.93
Even Start - State Educational Agencies	84.213	219	158,743.48
State Grants for Innovative Programs	84.298	113	73,568.28
Education Technology State Grants	84.318	121	9,048.67
English Language Acquisition Grants	84.365	102	21,644.47
Improving Teacher Quality State Grants	84.367	224	<u>809,528.43</u>
Total Indirect			<u>4,445,851.05</u>
Total United States Department of Education			<u>8,024,749.67</u>
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600(3)	N/A	<u>1,978,082.47</u>
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	<u>6,141.15</u>

**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	\$ <u>509,445.12</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>139,911.14</u>
Total Expenditures of Federal Awards			\$ <u>14,267,831.08</u>

- Notes:
- (1) Basis of Presentation. 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 amounts recorded in the District's accounting records from which the basic financial statements have been reported.
 - (2) Noncash Assistance Food Donation. Represents the amount of donated food used during the 2004-05 fiscal year. Commodities are valued at fair value as determined at the time donation.
 - (3) Head Start. For grant number/program year 04CH3161/38 expenditures include Head Start project PA-22 \$402,242.23 and PA-20 \$6,453.19 and Early Head Start projects PA-25 \$147,050.55. For grant number/program year 04CH3161/39 expenditures include Head Start projects PA-22 \$987,750.10 and PA-20 \$13,027.27 and Early Head Start projects PA-25 \$419,924.01 and PA-11 \$1,635.12.

**CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Charlotte County District School Board for the fiscal year ended June 30, 2005:

- An unqualified opinion was issued on the financial statements.
- A certain matter involving the internal control and its operation was considered to be a reportable condition, though the reportable condition was not considered a material weakness.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were disclosed.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Student Financial Assistance Cluster [Federal Supplemental Education Opportunity Grants (CFDA 84.007) and Federal Pell Grant Program (84.063)]; Title I Grants to Local Educational Agencies (CFDA No. 84.010); Improving Teacher Quality State Grants (CFDA No. 84.367); and Public Assistance Grants (CFDA No. 97.036).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$428,034.93.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

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

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

MANAGEMENT RESPONSE

David E. Gayler, Ph.D
Superintendent



School Board

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

March 10, 2006

Mr. William O. Monroe
Auditor General
111 West Madison Street
G74 Claude Pepper Building
Tallahassee, Florida 32302

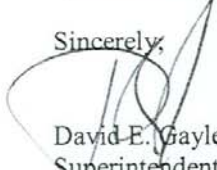
Dear Mr. Monroe:

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

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

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

Sincerely,


David E. Gayler, Ph.D
Superintendent of Schools