

COLLIER COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Collier County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Patricia M. Carroll, Vice Chair to 11-17-08, Chair from 11-18-08	1
Kathleen Curatolo, Vice Chair from 11-18-08	2
Steven J. Donovan	3
Linda Abbott to 11-17-08, Chair	4
Julie Sprague from 11-18-08	4
Richard Calabrese	5

Dr. Dennis L. Thompson, Superintendent

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

The audit team leader was David Pournaras, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Deidre Melton, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

ADDITIONAL MATTERS:

Finding No. 1: Controls over collections from a la carte meal sales could be enhanced.

Finding No. 2: Controls to monitor the insurance coverage for charter schools sponsored by the District could be strengthened.

Finding No. 3: The District could enhance procedures over the reporting of instructional contact hours for adult general education courses.

Finding No. 4: The District did not disable or delete the information technology (IT) access privileges of some former employees in a timely manner.

Finding No. 5: IT security controls related to user authentication could be improved.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Migrant Education, English Language Acquisition, Disaster Grants, and Hazard Mitigation 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 Collier County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

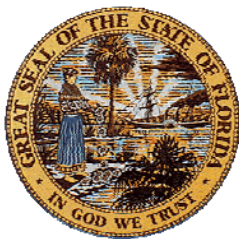
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

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, 2009. We obtained

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

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Collier County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 10 percent of the assets and 20 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Collier County District School Board as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Collier County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 12) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 54 through 56) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
December 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District School Board of Collier County's (District) Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- The District's revenue sources from the Florida Education Finance Program (FEFP) were reduced \$7.7 million between the final budget adoption in September of 2008 and the end of the fiscal year. The decrease in revenue is attributable to two primary factors. The first is reduced funding from the State resulting from lower than anticipated State revenue collections in the amount of \$6.6 million. The second is a revenue reduction associated with the State's McKay Students with Disabilities Scholarship Program in the amount of \$1.1 million. Additionally, enrollment in the District declined less than projected at the beginning of the year which resulted in increased revenue in the amount of \$0.5 million for a net decrease in FEFP revenues of \$7.2 million.
- During the year, the Board enhanced its amounts designated for strategic reserve by \$5.7 million and contingency reserve by \$1.7 million in an effort to maintain financial integrity and safeguard the District during these unstable economic times. The enhanced designation levels offset prior year reductions and moved the District toward compliance with criteria set forth by Board policy. These designations were funded by cost savings and cost containment measures throughout the year.
- General Fund revenues and other financing sources exceeded expenditures by \$4.1 million. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures by \$4.5 million. The revenues in excess of expenditures enabled the District to enhance its designations of reserves in support of the Board policy noted above.
- All repairs associated with Hurricane Wilma, which made landfall in Southwest Florida on October 24, 2005, were completed. The District experienced minimal damage related to Tropical Storm Fay, which made landfall on August 19, 2008. The District has requested reimbursement from FEMA for Tropical Storm Fay to the extent eligible. Tropical Storm Fay had a negligible impact on the District's finances.

NON-FINANCIAL EVENTS

The District's full time equivalent student (FTE) enrollment decreased by 95 students, which was slightly less than one quarter of a percent during the 2008-09 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Districtwide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Districtwide statements.
- The governmental funds statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The proprietary funds statements offer short-term and long-term financial information about the activities the District operates as internal service funds, such as self-insurance.
- The fiduciary funds statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this report are arranged and related to one another.

Figure A-1 Annual Financial Report

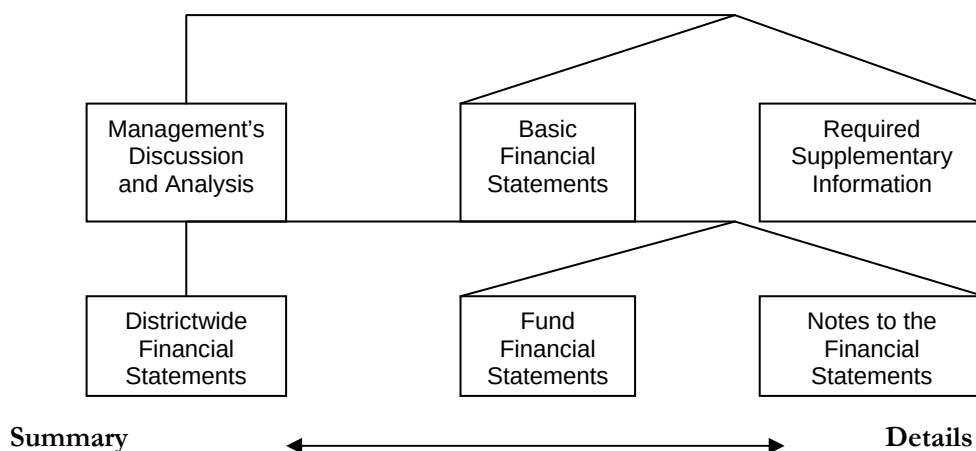


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section highlights the structure and content of each of the statements.

Figure A-2 Major Features of the Districtwide and Fund Financial Statements

	<i>Districtwide Statements</i>	Fund Financial Statements		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<i>Scope</i>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as delivery of student instruction and building maintenance.	Activities the District operates similar to private businesses.	Instances in which the District administers resources on behalf of someone else, such as student activity funds.
<i>Required Financial Statements</i>	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Fund Net Assets Statement of Cash Flows	Statement of Fiduciary Assets and Liabilities
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds that do not currently contain capital assets, although they can.
<i>Type of in-flow/out-flow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

Districtwide Financial Statements

The Districtwide financial statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two Districtwide financial statements report the District's net assets and changes in the District's net assets. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities, must be considered.

In the Districtwide statements, the District's activities are divided into two categories:

- *Governmental Activities:* Most of the District's basic services are included here, such as student instruction, transportation, maintenance and operations, and administration. Property taxes and State resources finance most of these activities.
- *Component Units:* The District includes two other entities in its report: the Marco Island Charter Middle School, Inc., and the RCMA Immokalee Community School (formerly RCMA Charter School).

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds rather than the District as a whole. Funds are accounting devices used to track specific sources of funding and spending on particular programs.

- Some funds are required by State law and debt covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts), or to show that it is properly using certain revenues (such as Federal grants).

The District has three kinds of funds:

- *Governmental Funds:* Most of the District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that assists the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Districtwide statements, separate reconciliations explain the relationships and differences between these statements.
- *Proprietary Funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Districtwide statements. The District uses internal service funds to report activities that provide supplies and services for its other programs and activities. The District has three internal service funds.
- *Fiduciary Funds:* The District is the trustee or fiduciary for assets that belong to others, such as the Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those for whom the assets are contributed. The District excludes these activities from the Districtwide statements because it cannot use these funds to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The District's combined net assets increased by \$72.1 million, from \$783.1 million at June 30, 2008, to \$855.2 million at June 30, 2009.

Figure A-3

Condensed Statement of Net Assets
(in millions of dollars)

	Governmental Activities	
	June 30, 2009	June 30, 2008
Current and Other Assets	\$ 368.7	\$ 399.8
Capital Assets	1,097.5	1,039.0
Total Assets	1,466.2	1,438.8
Long-Term Liabilities	579.5	601.0
Other Liabilities	31.5	54.7
Total Liabilities	611.0	655.7
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	580.1	584.2
Restricted	225.0	159.9
Unrestricted	50.1	39.0
Total Net Assets	\$ 855.2	\$ 783.1

The largest portion of the District's net assets, 67.8 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, 26.3 percent, represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets, 5.9 percent, may be used to meet the government's ongoing obligations to students, employees, and creditors.

The change in net assets is further depicted as a change in operating results, as shown in Figure A-4 below which reflects comparisons with the prior period.

Figure A-4

Changes in Net Assets from Operating Results
(in millions of dollars)

	Governmental Activities	
	2008-09	2007-08
Program Revenues:		
Charges for Services	\$ 11.6	\$ 11.9
Operating Grants and Contributions	19.1	51.1
Capital Grants and Contributions	9.1	7.6
General Revenues:		
Property Taxes	384.3	424.9
Grants and Contributions not Restricted to Specific Programs	121.9	92.7
Other	34.2	26.0
Total Revenues	580.2	614.2
Functions/Program Expenses:		
Instruction	279.1	275.4
Pupil and Instructional Services	41.8	44.7
Administration and Business	39.5	42.1
Maintenance and Operations	100.9	102.0
Transportation	18.9	23.2
Other	27.9	28.5
Total Functions/Program Expenses	508.1	515.9
Increase in Net Assets	\$ 72.1	\$ 98.3

The largest revenue source (56.2 percent) is received through the Florida Education Finance Program (FEFP) funding formula. This FEFP funding totaled \$326 million and is comprised of local property taxes levied for operational purposes (75.8 percent) and revenues from State sources (24.2 percent) included as part of the grants and contributions not restricted to specific programs. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Funding decreased by \$13.8 million dollars or 4.1 percent, primarily due to declining State revenues, lower taxable values, and a decrease of 95 students.

Other State revenues are primarily for the acquisition, construction, and maintenance of educational facilities. These revenues decreased by \$8.1 million, or 100 percent, from the previous year due to a reduction in funding earmarked for the construction of new classrooms.

The second predominate revenue source is local taxes for capital operations, which comprises \$137.1 million or 23.6 percent of the revenue. Local taxes collected for capital purposes decreased \$21.6 million or 13.6 percent. This decrease can be attributable to a statutory reduction in the millage rates from 2.0 to 1.75 mills.

Instructional expenses represent 54.9 percent of total governmental expenses in the 2008-09 fiscal year. Instructional expenses increased by \$3.7 million, or 1.3 percent, from the previous year due mainly to a 2 percent pay raise.

Transportation expenses decreased by \$4.3 million or 18.5 percent as management streamlined routing and implemented increased cost controls.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$295.6 million, a decrease of \$13.9 million in comparison with the prior year due to a combination of reduced State funding and a reduction in workforce. Unreserved fund balances of \$197.2 million represent 66.7 percent of the ending fund balance and are available to meet the District's short-term spending needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: outstanding purchase orders (\$50.3 million); State categorical programs (\$1.1 million); debt service payments (\$45.9 million); and inventory related expenditures (\$1.1 million).

The financial performance of the District as a whole is reflected in its governmental funds, with special emphasis to be placed on the General Fund. The General Fund fund balance increased from \$39.9 million to \$44.0 million due mainly to the Board's policy to reduce expenditures, which was accomplished partly by workforce reductions. However, the unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$38.9 million at June 30, 2009, or 10.5 percent of General Fund expenditures as compared to \$29.7 million, or 7.6 percent at June 30, 2008. The District has designated \$25.0 million of its \$38.9 million unreserved fund balance for program carry forwards and earmarked reserves, which represents 6.7 percent of General Fund expenditures in the 2008-09 fiscal year. The unreserved and undesignated portion totals \$14.0 million or 3.8 percent of General Fund expenditures in the 2008-09 fiscal year.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for Federal program revenues and expenditures, totaling less than \$1.0 million each, related to the American Recovery and Reinvestment Act.

The Debt Service – Other Fund, which is used to account for the payment of principal, interest, and related costs pertaining to the District's Certificates of Participation, has a total fund balance of \$45.7 million. The net increase of \$3.7 million is a result of efforts to increase fund balances set aside for future debt payments.

The Capital Projects – Local Capital Improvement Fund, which is used to account for revenues produced by an ad valorem (property) tax levy authorized by the Board to support capital improvements, has a total fund balance of \$178.4 million. The net increase of \$40.7 million can be attributed to a decrease in major construction and renovation projects.

The Capital Projects - Other Fund, which is used to account for the financial resources from various State and local capital outlay needs, has a total fund balance of \$25.1 million. The net decrease of \$64.3 million is due to the use of resources accumulated in prior years to fund capital outlay projects that were expended in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District uses a school-based and department-based management model in the operations of its individual schools and departments. This means that the school principals and department managers are given the authority to make operational decisions within certain guidelines and to amend their respective budgets as necessary to effect those decisions. These budgetary decisions are limited to the specific resources allocated to the particular schools or departments. Even though the ultimate budget amendment authority resides with the Board, this delegated authority does cause variations between the original budget and the final budget. Other factors that can also cause variations include differences between projected and actual enrollment and State funding prorations due to Statewide revenue shortfalls.

The reason for the reduction in State funding sources from the original budget of \$95.2 million to actual revenues of \$89.8 million is lower than anticipated State revenue collections.

Actual local revenues increased by \$3.8 million for the year when compared to the original budget. Additional local revenue collected represents increased tax collections and miscellaneous local revenues offset by decreased interest earnings.

The most significant change for the General Fund in the original appropriations budget (\$402.1 million) and the final appropriations budget (\$390.6 million) was reduced FEFP funding from the State due to lower than anticipated State revenue collections. Additional cost savings and containment measures enabled the District to reduce appropriations and establish a reserve for a State revenue shortfall to help stabilize the budget for the 2009-10 fiscal year.

Appropriations for instruction reflect an \$8.1 million variance between the final budget and actual expenditures, of which \$1.4 million represents obligations incurred but not delivered or paid, i.e., encumbered outstanding purchase orders. In addition, \$1.7 million was carried forward on behalf of instructional programs, which include restricted State categorical funds, as well as school carry forwards for the 2009-10 fiscal year. The remaining variance of \$5 million is associated with unexpended funds within various programs throughout the District as the result of cost containment measures throughout the year. The unexpended funds are part of the unrestricted fund balance that is brought forward in support of the 2009-10 fiscal year appropriations which are in excess of estimated revenues.

Appropriations for instructional staff training services reflect a \$1.0 million variance between the final budget and actual expenditures, of which \$0.9 million was carried forward to the 2009-10 fiscal year with the balance of \$0.1 million representing unexpended funds.

Transportation services reflect an appropriation variance between the final budget and actual expenditures of \$1.4 million representing unexpended funds as the result of cost savings and cost containment measures throughout the year.

Actual expenditures for operation of plant were \$4.3 million less than budgeted due to lower than expected utility costs and cost savings achieved from the privatization of custodial services. Appropriations for maintenance of plant reflect a \$1.0 million variance between the final budget and actual expenditures, of which \$0.5 million represents obligations incurred but not delivered or paid, i.e., encumbered outstanding purchase orders. The remaining variance of \$0.5 million is associated with unexpended funds.

General Fund variances for the year compare actual expenditures and final budget figures. The total variance of \$19.8 million does not take into consideration outstanding encumbrances or carry forward of unexpended funds for specific programs. These encumbrances represent obligations that are expected to be paid in the subsequent year and carried forward to the 2009-10 fiscal year. The encumbrances for the General Fund at year-end are \$3.3 million of

which \$1.4 million is directly related to instruction, \$0.5 million is related to maintenance of plant, \$0.3 million is related to operation of plant, \$0.6 million is related to facilities, acquisition, and construction, and the balance of \$0.5 million is related to other functions. Carried forward amounts for program activities amounted to \$4.6 million of which \$1.7 million was for instruction, \$1.0 million for instructional support, and \$1.9 million for other functions in support of schools.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2009, amounts to \$1.1 billion (net of accumulated depreciation). This investment in capital assets includes land and land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in Notes 5 and 16 of the financial statements.

Debt Administration

At June 30, 2009, the District had total long-term debt outstanding of \$541.1 million. This amount was comprised of \$7.2 million of bonds payable and \$533.9 million of certificates of participation payable.

Retirement of long-term debt included \$0.7 million of bonds payable and \$19.4 million of certificates of participation payable.

Additional information on the District's long-term debt can be found in Notes 6, 7, and 9 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared, the District was aware of five existing circumstances that could significantly affect its financial future.

- The economic slowdown in Florida continues to impact education. General State revenues are projected to be significantly lower than the previous year. Fortunately, Florida is receiving Federal Economic Stabilization Funding, which will offset the decline of State General Fund revenues available to support education. School districts across the State would have seen a significant decline in educational funding in the absence of these stabilization dollars.
- The District has been allocated \$15.3 million in Federal Stabilization Funding for the 2009-10 fiscal year. The primary goal of these funds is to save jobs or create additional jobs. There is an expectation that some of this funding will continue into the 2010-11 fiscal year. However, school districts have been cautioned to prepare budgets that "avoid falling off the cliff" when the funding ultimately goes away. Clearly, this will be a challenge since the Federal Stabilization fund is to be utilized to maintain or expand employment opportunities. As a proactive approach to this situation, the District has established an additional \$10 million in designated reserve accounts to assist the District in transitioning away from dependency upon Federal Stabilization funds in the 2011-12 fiscal year. These designated reserve funds were made possible by shifting the equivalent amount of dollars from the tax levy for capital taxes. No additional taxes were levied upon the citizens of Collier County for this purpose.
- As of mid August 2009, the State of Florida continues to experience declining revenues. The uncertain economy remains an issue for the 2009-10 fiscal year. While some feel that the economy is starting to level out, others expect a slight decline to continue. The Florida Department of Education has recommended that school superintendents urge their school boards to be fiscally prudent, maintain responsible levels of fund reserves for contingencies, and minimize decisions that will result in increases in recurring costs in the new year. Recognizing the prior two-year history of midyear reductions in revenues attributable to State revenue

shortfalls, the District has set aside a revenue shortfall reserve in the amount of \$6 million created from prior year savings.

- The District is projected to experience a one percent decline in student population during the 2009-10 fiscal year. Funding will be reduced accordingly through the Florida Education Finance Program.
- The 2002 constitutional amendment to reduce class size continues to require additional District resources for new teachers and operating costs. The State continued the school average criteria for the 2009-10 fiscal year to lessen the financial burden during these difficult economic times. However, the ultimate goal for measurement on an individual classroom basis remains on the near horizon with full compliance in the 2010-11 fiscal year. The District will need to expend considerable resources to meet the criteria on an individual classroom basis unless Legislative action, which also would require voter approval, amends the original criteria for class size reduction calculations.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director of Financial Services, The District School Board of Collier County, 5775 Osceola Trail, Naples, Florida, 34109-0919.

BASIC FINANCIAL STATEMENTS

COLLIER COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2009

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 319,786,722	\$ 2,030,267
Investments	12,218,841	
Accounts Receivable	293,407	88,546
Deposits Receivable	17,404	
Prepaid Items		43,916
Due from Other Agencies	9,584,503	
Inventories	1,589,970	
Deferred Charges	5,357,336	
Note Receivable	18,216,766	
Restricted Investments	1,659,659	
Capital Assets:		
Nondepreciable Capital Assets	394,415,307	
Depreciable Capital Assets, Net	703,105,696	133,285
TOTAL ASSETS	\$ 1,466,245,611	\$ 2,296,014
LIABILITIES		
Salaries and Benefits Payable	\$ 1,700,622	\$ 86,911
Payroll Deductions and Withholdings	915,045	
Accounts Payable	4,109,283	109,448
Construction Contracts Payable	3,605,919	
Construction Contracts Payable - Retainage	9,758,929	
Due to Other Agencies	1,727,065	
Accrued Interest Payable	9,251,810	
Deposits Payable	50,075	
Deferred Revenue	378,198	
Long-Term Liabilities:		
Portion Due Within One Year	41,675,790	
Portion Due After One Year	537,870,624	
Total Liabilities	611,043,360	196,359
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	580,123,391	133,285
Restricted for:		
State Categorical Programs	1,111,746	
Debt Service	41,974,941	
Capital Projects	180,132,376	431,215
Other Purposes	1,796,495	40,304
Unrestricted	50,063,302	1,494,851
Total Net Assets	855,202,251	2,099,655
TOTAL LIABILITIES AND NET ASSETS	\$ 1,466,245,611	\$ 2,296,014

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 279,178,926	\$ 3,115,111	\$	\$
Pupil Personnel Services	18,986,957			
Instructional Media Services	5,630,091			
Instruction and Curriculum Development Services	9,128,892			
Instructional Staff Training Services	6,369,622			
Instruction Related Technology	1,632,799			
Board of Education	1,184,087			
General Administration	2,524,404			
School Administration	27,278,940			
Facilities Acquisition and Construction	26,909,380			8,116,060
Fiscal Services	2,153,967			
Food Services	18,022,290	7,192,646	11,720,130	
Central Services	6,401,003			
Pupil Transportation Services	18,873,109	1,287,835	7,346,733	
Operation of Plant	39,196,475			
Maintenance of Plant	16,763,090			
Administrative Technology Services	3,144,304			
Community Services	428			
Interest on Long-Term Debt	24,787,258			1,034,318
Total Primary Government	\$ 508,166,022	\$ 11,595,592	\$ 19,066,863	\$ 9,150,378
Component Units				
Charter Schools	\$ 5,279,001	\$ 0	\$ 0	\$ 0
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Units
Activities	
\$ (276,063,815)	\$
(18,986,957)	
(5,630,091)	
(9,128,892)	
(6,369,622)	
(1,632,799)	
(1,184,087)	
(2,524,404)	
(27,278,940)	
(18,793,320)	
(2,153,967)	
890,486	
(6,401,003)	
(10,238,541)	
(39,196,475)	
(16,763,090)	
(3,144,304)	
(428)	
(23,752,940)	
(468,353,189)	
	(5,279,001)
247,236,020	
137,033,299	
121,948,073	5,148,372
(3,492,478)	
37,689,642	
	37,714
540,414,556	5,186,086
72,061,367	(92,915)
783,140,884	2,192,570
\$ 855,202,251	\$ 2,099,655

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 44,949,293	\$	\$ 44,005,495
Investments			958
Accounts Receivable	119,501		
Deposits Receivable			
Due from Other Funds	190,279		
Due from Other Agencies	3,463,792	46,856	
Inventories	1,170,115		
Note Receivable	18,216,766		
Restricted Investments			1,659,659
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 68,109,746</u>	<u>\$ 46,856</u>	<u>\$ 45,666,112</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,236,285	\$ 12,958	\$
Payroll Deductions and Withholdings	724,080	1,872	
Accounts Payable	2,418,037	5,140	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		23,422	
Due to Other Agencies	1,394,456	3,464	
Deposits Payable	50,075		
Deferred Revenue	18,310,433		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>24,133,366</u>	<u>46,856</u>	<u> </u>
Fund Balances:			
Reserved for State Categorical Programs	1,107,539		
Reserved for Encumbrances	3,275,270		
Reserved for Inventories	644,051		
Reserved for Debt Service			45,666,112
Unreserved:			
Designated, Reported in General Fund:			
Designated for Strategic Reserve	11,200,000		
Designated for Local Carryover Projects	3,467,655		
Designated for Contingency Reserve	10,292,411		
Undesignated, Reported in:			
General Fund	13,989,454		
Special Revenue Funds			
Capital Projects Funds			
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>43,976,380</u>	<u> </u>	<u>45,666,112</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 68,109,746</u>	<u>\$ 46,856</u>	<u>\$ 45,666,112</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 173,568,456	\$ 29,699,073	\$ 811,329	\$ 293,033,646
7,118,850	3,915,288	203,303	11,238,399
		173,781	293,282
17,404			17,404
2,440,564			2,630,843
861,915	2,739,252	2,470,959	9,582,774
		419,855	1,589,970
			18,216,766
			1,659,659
<u>\$ 184,007,189</u>	<u>\$ 36,353,613</u>	<u>\$ 4,079,227</u>	<u>\$ 338,262,743</u>
\$ 53,583	\$	\$ 388,171	\$ 1,690,997
50,809		134,512	911,273
816,522	140,620	436,806	3,817,125
2,369,764	1,236,155		3,605,919
2,336,459	7,422,470		9,758,929
	2,440,564	166,857	2,630,843
30,002		224,478	1,652,400
			50,075
		284,531	18,594,964
<u>5,657,139</u>	<u>11,239,809</u>	<u>1,635,355</u>	<u>42,712,525</u>
36,360,583	10,129,546	495,681	1,107,539
		419,854	50,261,080
		203,303	1,063,905
			45,869,415
			11,200,000
			3,467,655
			10,292,411
		1,324,034	13,989,454
141,989,467	14,984,258	1,000	1,324,034
<u>178,350,050</u>	<u>25,113,804</u>	<u>2,443,872</u>	<u>295,550,218</u>
<u>\$ 184,007,189</u>	<u>\$ 36,353,613</u>	<u>\$ 4,079,227</u>	<u>\$ 338,262,743</u>

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds \$ 295,550,218

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

Note receivable amounts to be received in future years are not available to liquidate liabilities in the governmental funds and are reported as deferred revenue until amounts are available, but are are accrued in the government-wide statements when earned. 18,216,766

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. 1,097,521,003

Debt issuance costs are not expensed in the government-wide statements but are reported as deferred charges and amortized over the life of the related debt. 5,357,336

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. 15,067,152

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. (9,251,810)

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, Net	\$ 7,201,944	
Certificates of Participation Payable, Net	533,897,533	
Compensated Absences Payable	25,957,706	
Other Postemployment Benefits Payable	127,546	
Arbitrage Rebate Liability	73,685	
	(567,258,414)	

Total Net Assets - Governmental Activities \$ 855,202,251

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

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**COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 423,352	\$	\$
Federal Through State and Local	1,164,030	46,856	
State	89,839,118		
Local:			
Property Taxes	247,236,020		
Charges for Services - Food Service			
Impact Fees			
Miscellaneous	7,893,682		397,163
Total Revenues	<u>346,556,202</u>	<u>46,856</u>	<u>397,163</u>
Expenditures			
Current - Education:			
Instruction	229,213,987	44,101	
Pupil Personnel Services	13,730,619		
Instructional Media Services	5,449,212		
Instruction and Curriculum Development Services	4,148,097		
Instructional Staff Training Services	2,791,616		
Instruction Related Technology	1,399,167		
Board of Education	1,136,517		
General Administration	1,542,308	1,514	
School Administration	25,679,215	157	
Facilities Acquisition and Construction	334,675		
Fiscal Services	2,055,360		
Food Services			
Central Services	5,509,522		
Pupil Transportation Services	16,725,753	1,084	
Operation of Plant	38,923,860		
Maintenance of Plant	15,692,543		
Administrative Technology Services	2,509,973		
Community Services	428		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	921,506		
Other Capital Outlay	3,049,845		
Debt Service:			
Principal			18,535,000
Interest and Fiscal Charges			25,787,300
Total Expenditures	<u>370,814,203</u>	<u>46,856</u>	<u>44,322,300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(24,258,001)</u>		<u>(43,925,137)</u>
Other Financing Sources (Uses)			
Transfers In	26,458,219		47,637,604
Proceeds from Sale of Capital Assets	228,593		
Insurance Loss Recoveries	1,655,070		
Transfers Out			
Total Other Financing Sources (Uses)	<u>28,341,882</u>		<u>47,637,604</u>
Net Change in Fund Balances	4,083,881		3,712,467
Fund Balances, Beginning	39,892,499		41,953,645
Fund Balances, Ending	<u>\$ 43,976,380</u>	<u>\$ 0</u>	<u>\$ 45,666,112</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		4,645,829	5,069,181
		41,179,679	42,390,565
	32,039	4,639,613	94,510,770
137,033,299			384,269,319
		7,192,646	7,192,646
	4,797,704		4,797,704
(1,560,491)	934,329	3,968,236	11,632,919
135,472,808	5,764,072	61,626,003	549,863,104
		22,965,079	252,223,167
		4,563,000	18,293,619
		42,245	5,491,457
		4,574,095	8,722,192
		3,387,347	6,178,963
		188,077	1,587,244
			1,136,517
		917,789	2,461,611
		158,623	25,837,995
1,095,303	7,549,921		8,979,899
			2,055,360
		17,353,081	17,353,081
		277,005	5,786,527
		501,845	17,228,682
		61,772	38,985,632
		15,097	15,707,640
			2,509,973
			428
30,069,921	53,617,718	1,500,372	86,109,517
		546,719	3,596,564
		670,000	19,205,000
		389,368	26,176,668
31,165,224	61,167,639	58,111,514	565,627,736
104,307,584	(55,403,567)	3,514,489	(15,764,632)
			74,095,823
			228,593
			1,655,070
(63,583,667)	(8,949,457)	(1,562,699)	(74,095,823)
(63,583,667)	(8,949,457)	(1,562,699)	1,883,663
40,723,917	(64,353,024)	1,951,790	(13,880,969)
137,626,133	89,466,828	492,082	309,431,187
\$ 178,350,050	\$ 25,113,804	\$ 2,443,872	\$ 295,550,218

**COLLIER 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, 2009**

Net Change in Fund Balances - Governmental Funds \$ (13,880,969)

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

Note receivable amounts to be received in future years are accrued in the government-wide statements, but the receivable does not provide current financial resources and is not recognized in the governmental funds until available. 18,216,766

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 59,213,885

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 19,205,000

Premiums, refunding costs, and debt issuance costs are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.

Net decrease in expenses from unamortized premiums	\$	1,957,380	
Net increase in expenses from refunding costs:		(1,036,017)	
Net increase in expenses from deferred charges:		<u>(477,475)</u>	
			443,888

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the government-wide statements. This is the reduction in accrued interest in the current period. 269,206

Rebate arbitrage is recognized as an expenditure in the governmental funds when due, but is recognized when incurred in the government-wide statements. This amount represents the decrease in the estimated rebate liability. 676,315

The loss on the disposal of capital assets during the current period is reported 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 balance by the undepreciated cost of the disposed assets. (697,314)

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 paid in excess of the amount earned in the current period. 531,205

Postemployment healthcare benefits cost is recorded in the statement of activities under the full accrual basis of accounting, but is not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current period. 105,265

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. (12,021,880)

Change in Net Assets - Governmental Activities \$ 72,061,367

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2009**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 26,753,076
Investments	980,442
Accounts Receivable	125
Due From Other Agencies	1,729
TOTAL ASSETS	\$ 27,735,372
LIABILITIES	
Current Liabilities:	
Salaries and Benefits Payable	\$ 9,625
Payroll Deductions and Withholdings	3,772
Accounts Payable	292,158
Due to Other Agencies	74,665
Estimated Insurance Claims Payable	7,554,000
Total Current Liabilities	7,934,220
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	4,734,000
Total Liabilities	12,668,220
NET ASSETS	
Unrestricted	15,067,152
TOTAL LIABILITIES AND NET ASSETS	\$ 27,735,372

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 35,387,864
OPERATING EXPENSES	
Salaries	380,258
Employee Benefits	111,618
Purchased Services	5,055,033
Materials and Supplies	14,975
Capital Outlay	2,452
Insurance Claims	41,182,723
Other Expenses	230,824
Total Operating Expenses	46,977,883
Operating Loss	(11,590,019)
NONOPERATING REVENUE	
Interest Income	312,683
Decrease in Fair Market Value of Investments	(744,544)
Total Nonoperating Revenue	(431,861)
Change in Net Assets	(12,021,880)
Total Net Assets - Beginning	27,089,032
Total Net Assets - Ending	\$ 15,067,152

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 34,608,654
Cash Payments to Suppliers for Goods and Services	(3,532,430)
Cash Payments to Employees for Services	(489,052)
Cash Payments for Insurance Claims	(41,228,723)
Net Cash Used by Operating Activities	(10,641,551)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	738,074
Purchase of Investments	(4,576,067)
Interest Income	312,683
Net Cash Used by Investing Activities	(3,525,310)
Net Decrease in Cash and Cash Equivalents	(14,166,861)
Cash and Cash Equivalents, Beginning, restated, see Note 20 to the financial statements	40,919,937
Cash and Cash Equivalents, Ending	\$ 26,753,076

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (11,590,019)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Decrease in Accounts Receivable	1,253
Decrease in Due from Other Funds	1,377,707
Increase in Due from Other Agencies	(1,729)
Decrease in Accounts Payable	(404,415)
Increase in Salaries and Benefits Payable	1,955
Increase in Payroll Tax Liabilities	869
Increase in Due to Other Agencies	18,828
Decrease in Estimated Insurance Claims Payable	(46,000)
Total Adjustments	948,468
Net Cash Used by Operating Activities	\$ (10,641,551)

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,547,817
Accounts Receivable	<u>3,202</u>
TOTAL ASSETS	<u><u>\$ 3,551,019</u></u>
LIABILITIES	
Internal Accounts Payable	<u><u>\$ 3,551,019</u></u>

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 Collier County School District is considered part of the Florida system of public education. The governing body of the school district is the Collier 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 Collier County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the District School Board's reporting entity:

- **Blended Component Unit.** The Collier County School Board Foundation, Inc. (Foundation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Collier County District School Board and the Foundation, the financial activities of the Foundation are included in the accompanying basic financial statements. Separate financial statements for the Foundation are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of the District's other component units. The Marco Island Charter Middle School, Inc., and the RCMA Immokalee Community School (Charter Schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act and Section 1002.33, Florida Statutes. The Charter Schools operate under charters approved by their sponsor, the Collier County District School Board and are considered component units because they are fiscally dependent on the District to levy taxes for their support.
- The financial data reported on the accompanying statements was derived from the Charter Schools' audited financial statements for the fiscal year ended June 30, 2009. The audit reports are filed in the District's administrative offices.

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program

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revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses are allocated to functions based upon the specific programs or activities with which the capital assets are associated.

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 except for interfund services provided and used.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Fund – to account for the accumulation of resources transferred from various capital projects funds to be used for the payment of general long-term debt principal, interest, and other expenditures related to outstanding certificates of participation.
- 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, renovation and remodeling projects, and debt service payments on certificates of participation.
- Capital Projects – Other Fund – to account for the financial resources from various State and local sources to be used for capital outlay needs, including projects financed with proceeds from the issuance of certificates of participation.

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

- Internal Service Funds – to account for the District's individual self-insurance programs and employee benefits plan.
- 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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➤ **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, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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, workers' compensation, and flex care premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Charter Schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME, and a money market fund invested in United States Treasury Securities.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

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Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, and amounts placed with the SBA for participation in Fund B Surplus Funds Trust Fund (Fund B) investment pool created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

Investments made locally consist of money market funds and a repurchase agreement 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 on a moving weighted-average basis for the maintenance, transportation, and food service inventories, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution, and that textbooks inventory is stated at last invoice price. The costs of inventories are recorded as expenditures when used rather than purchased for all inventories except for surplus commodities. The inventories at year-end, excluding textbooks, are reported as a reservation of fund balance.

➤ **Capital Assets**

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	5 - 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 and certificates of participation (COPS) premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and certificates of participation liabilities are reported net of the applicable bond premium or discount and costs resulting from refundings.

In the governmental fund financial statements, bonds, COPS, and other long-term obligations are not recognized as liabilities until due.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as occurrences of employee resignations and retirements.

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

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for

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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 is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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 Collier County Property Appraiser, and property taxes are collected by the Collier County Tax Collector.

The School Board adopted the 2008 tax levy on September 16, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- 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, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP)	46 Day Average (A)	\$ 91,808,743
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	4,896,688
Debt Service Accounts	6 Months	203,303
The Reserve Primary Money Market Fund - Institutional	(B)	7,118,850
Money Market Fund - United States Treasury Securities	45 Day Average (A)	33
Master Repurchase Agreement with Bank of America	November 18, 2021 (C)	1,659,659
Total Investments, Reporting Entity		<u>\$ 105,687,276</u>

Footnotes:

- (A) Investment reported as a cash equivalent.
- (B) The Reserve Primary Fund is in liquidation status and assets are not being distributed at this time pending certain legal actions. The United States District Court for the Southern District of New York is expected to act on an order made by the United States Securities and Exchange Commission concerning the distribution of the Primary Fund's remaining assets on or about September 23, 2009. Fair market value is shown as of September 16, 2008, the date the fund ceased trading.
- (C) The investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds financing arrangement. Collateral for this agreement is held with United States Bank in United States Treasury Inflation Protected Securities for \$1,948,040. See Note 6.

Interest Rate Risk

- The District's investment policy limits investments of current short-term funds to a maximum of 12 months. Investments of bond reserves, construction monies, and other core funds shall have a term appropriate to the need for moneys, and in accordance with debt covenants, but in no event shall exceed three years.

LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to

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interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(16), Florida Statutes, limits investments to SBA LGIP, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; Federal agencies and instrumentalities; rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel; securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., 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 or 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; and other investments authorized by law or by resolution for a school district or a special district..
- The District's investment policy limits investments to LGIP; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and local government series; obligations of United States Government Agencies and Instrumentalities; SEC registered money market funds with the highest rating and in compliance with Title 17, Section 270.2a-7, Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit in State qualified public depositories; and other investments permitted by the State statute and not prohibited by this policy.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2009, the District's investment in LGIP is rated AAAM by Standard & Poor's. Fund B is unrated.
- As of June 30, 2009, the District's investment in the Reserve is in liquidation status. The Reserve Primary Fund, Institutional Money Market, ceased trading, and the District is awaiting final distribution of funds. Remaining investment balances are shown at fair market value as of the last trading date of September 16, 2008.
- As of June 30, 2009, the District's investment in First American Treasury Obligations Fund, Institutional Money Market Class Y, is rated Aaa by Moody's and AAAM by Standard & Poor's.
- The District's investment in a Master Repurchase Agreement with the Bank of America is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds paying agent. The forward delivery agreement authorizes the investment of available sinking fund amounts in certain eligible securities, including, without limitation, direct obligations of the Department of the Treasury of the United States of America, and obligations of the following Federal agencies, which obligations represent the full faith and credit of the United States of America: Farmers Home Administration, General Services Administration, United States Maritime Administration, Small Business Administration, Government

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National Mortgage Association, United States Department of Housing and Urban Development, and Federal Housing Administration.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.
- The District's investment policy requires that securities, with the exception of certificates of deposit, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District be properly designated as a asset of the District. A third party custodian is defined as any bank depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State of Florida. Certificates of deposit shall be placed in the provider's safekeeping department for the term of the deposit.

4. NOTE RECEIVABLE

Pursuant to Section 1013.68(6), Florida Statutes, in March 2002, the District entered into an interlocal loan agreement to loan \$29,176,952 of its Classrooms First Program allocation from the State of Florida to the Osceola County District School Board. In return, the Osceola County District School Board agreed to repay the amount the District would have otherwise received from the State. The effective interest rate on the loan is 5.26 percent. Repayment of the loan and related interest consists of 105 installments of \$401,693, seven per year, through May 31, 2017. If an installment payment is not made when due, the State of Florida will make payment to the Board within 10 days of notification of nonpayment. As such, the District considers the receivable totally collectible and did not report an allowance for uncollectible amounts.

The note receivable at June 30, 2009, is \$18,216,766 as shown in the schedule below:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 2,811,853	\$ 1,890,028	\$ 921,825
2011	2,811,853	1,989,443	822,410
2012	2,811,853	2,094,087	717,766
2013	2,811,853	2,204,236	607,617
2014	2,811,853	2,320,178	491,675
2015-17	8,435,559	7,718,794	716,765
Total	\$ 22,494,824	\$ 18,216,766	\$ 4,278,058

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

5. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Threshold Adjustments (A)	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	\$ 81,853,324	\$	\$ 3,018,260	\$ 36,351	\$ 84,835,233
Land Improvements - Nondepreciable	32,016,798		612,602		32,629,400
Construction in Progress	265,526,283		61,671,689	50,247,298	276,950,674
Total Capital Assets Not Being Depreciated	379,396,405		65,302,551	50,283,649	394,415,307
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	23,048,040		1,840,725		24,888,765
Buildings and Fixed Equipment	847,130,635		61,592,931	4,230,168	904,493,398
Furniture, Fixtures, and Equipment	25,594,374	30,965,704	5,895,372	3,980,215	58,475,235
Motor Vehicles	31,720,838	3,500	552,450	471,811	31,804,977
Audio Visual Materials		66,176		2,700	63,476
Computer Software	11,878,502	1,585,201	1,768,425	405,787	14,826,341
Total Capital Assets Being Depreciated	939,372,389	32,620,581	71,649,903	9,090,681	1,034,552,192
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	2,945,940		1,417,174		4,363,114
Buildings and Fixed Equipment	238,265,270		22,861,918	4,104,589	257,022,599
Furniture, Fixtures, and Equipment	17,017,812	22,576,529	6,756,227	3,605,902	42,744,666
Motor Vehicles	14,978,670	3,500	3,055,212	448,223	17,589,159
Audio Visual Materials		62,779	3,200	2,700	63,279
Computer Software	6,556,670	1,152,138	2,223,175	268,304	9,663,679
Total Accumulated Depreciation	279,764,362	23,794,946	36,316,906	8,429,718	331,446,496
Total Capital Assets Being Depreciated, Net	659,608,027	8,825,635	35,332,997	660,963	703,105,696
Governmental Activities Capital Assets, Net	\$ 1,039,004,432	\$ 8,825,635	\$ 100,635,548	\$ 50,944,612	\$ 1,097,521,003

Note (A): On July 1, 2008, the District reduced its capitalization threshold from \$5,000 to \$1,000. The threshold adjustment column above includes amounts for assets valued at \$1,000 up to \$4,999 that were acquired prior to July 1, 2008, and their accumulated depreciation.

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 16,998,390
Pupil Personnel Services	96,275
Instructional Media Services	12,328
Instruction and Curriculum Development Services	156,921
Instructional Staff Training Services	74,638
Board of Education	29,118
General Administration	33,429
School Administration	499,033
Facilities Acquisition and Construction	16,793,756
Fiscal Services	30,361
Food Services	118,630
Central Services	367,924
Pupil Transportation Services	740,522
Operation of Plant	13,139
Maintenance of Plant	240,999
Administrative Technology Services	111,443
Total Depreciation Expense - Governmental Activities	\$ 36,316,906

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6. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2009, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 1995 (Partially Refunded)	\$ 12,500,000	6.25	2013	\$ 57,000,000
Series 2001A, Refunding	6,120,000	5.5	2013	27,375,000
Series 2001B, Refunding	8,975,000	5.5	2013	19,995,000
Series 2002 (Partially Refunded)	37,625,000	3.500 - 5.375	2022	167,585,000
Series 2002A, Refunding	5,240,000	3.5 - 5.0	2012	20,445,000
Series 2005, Refunding	39,080,000	2.8 - 5.0	2016	40,485,000
Series 2005A, Refunding	106,345,000	5.25	2022	106,345,000
Series 2005-QZAB	4,192,000	None	2022	4,192,000
Series 2006	211,295,000	3.875 - 5.000	2026	221,470,000
Series 2007	90,560,000	4.0 - 5.0	2027	96,205,000
Subtotal	521,932,000			
Plus: Unamortized Premiums	21,358,631			
Less: Unamortized Costs on Refunding	(9,393,098)			
Total Certificates of Participation	<u>\$ 533,897,533</u>			

The District entered into a master financing arrangement on August 1, 1992, which arrangement was characterized as a lease-purchase agreement, with the Collier County School Board Foundation, Inc. (Foundation), whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District properties to the Foundation with a rental fee of \$10 per year. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The master lease-purchase agreement is renewable for successive one-year terms through February 15, 2022. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground leases for the benefit of the securers of the certificates for the remaining term of the ground leases.

The District properties included in the various ground leases under this arrangement include Immokalee Middle School, Lely Elementary School, Lake Trafford Elementary School, Vineyards Elementary School, Laurel Oak Elementary School, Oakridge Middle School, Barron Collier High School, Pine Ridge Middle School, Highlands Elementary School, Manatee Middle School, Manatee Elementary School, Gulfview Middle School, Immokalee High School, Lorenzo Walker Institute of Technology, Everglades City School, Gulf Coast High School, Pelican Marsh Elementary School, Calusa Park Elementary School, Sabal Palm

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Elementary School, North Naples Middle School, Palmetto Ridge High School, Golden Gate High School, Pinecrest Elementary School, Golden Gate Middle School, Village Oaks Elementary School, Mike Davis Elementary School, Palmetto Elementary School, Parkside Elementary School, Eden Park Elementary School, Marco Charter Middle School, Elementary "L" School, Immokalee Technical Center, Naples High School Gymnasium, and Lorenzo Walker Technical High School.

With the exception of the Series 2005-QZAB (Qualified Zone Academy Bonds), the lease payments are payable by the District semiannually, on August 15 and February 15, and must be remitted by the District as of the preceding June and January 15th, respectively.

The Series 2005-QZAB were issued by the Foundation under a special program whereby the certificates, bearing an original issue date of November 18, 2005, will mature in full on November 18, 2021. There is no interest cost for borrowing moneys under this program. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$523,907 for five consecutive years began on November 18, 2005. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The certificates are secured by the assets held under the trust agreement in the event of cancellation or default.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 44,339,154	\$ 19,325,000	\$ 25,014,154
2011	44,322,856	20,160,000	24,162,856
2012	44,944,228	21,600,000	23,344,228
2013	45,005,176	22,670,000	22,335,176
2014	44,955,339	23,755,000	21,200,339
2015-2019	225,475,103	136,785,000	88,690,103
2020-2024	230,759,312	179,392,000	51,367,312
2025-2027	106,673,037	98,245,000	8,428,037
Total Minimum Lease Payments	<u>786,474,205</u>	<u>521,932,000</u>	<u>264,542,205</u>
Plus: Unamortized Premiums	21,358,631	21,358,631	
Less: Unamortized Costs on Refunding	<u>(9,393,098)</u>	<u>(9,393,098)</u>	
Total Certificates of Participation	<u>\$798,439,738</u>	<u>\$ 533,897,533</u>	<u>\$ 264,542,205</u>

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

7. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 4,465,000	5.0	2017
Series 2005B, Refunding	2,620,000	5.0	2018
Total Minimum Principal Payments	7,085,000		
Plus: Unamortized Premiums	203,174		
Less: Unamortized Costs of Refunding	(86,230)		
Total Bonds Payable	<u>\$ 7,201,944</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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 1,064,250	\$ 710,000	\$ 354,250
2011	1,063,750	745,000	318,750
2012	1,061,500	780,000	281,500
2013	1,062,500	820,000	242,500
2014	1,061,500	860,000	201,500
2015-2018	3,523,250	3,170,000	353,250
Total Minimum Bond Payments	8,836,750	7,085,000	1,751,750
Plus: Unamortized Premium	203,174	203,174	
Less: Unamortized Costs on Refunding	(86,230)	(86,230)	
Total State School Bonds	<u>\$ 8,953,694</u>	<u>\$ 7,201,944</u>	<u>\$ 1,751,750</u>

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

8. ARBITRAGE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt debt after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt debt proceeds at an interest yield greater than the interest yield paid to debt holders. Generally, all interest paid to debt holders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financing and at June 30, 2009, expects to incur a liability of \$73,685.

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 540,467,000	\$	\$ 18,535,000	\$ 521,932,000	\$ 19,325,000
Unamortized Premiums	23,290,614		1,931,983	21,358,631	
Less: Unamortized Costs on Refundings	(10,418,336)		(1,025,238)	(9,393,098)	
Certificates of Participation Payable, Net	553,339,278		19,441,745	533,897,533	19,325,000
Bonds Payable	7,755,000		670,000	7,085,000	710,000
Unamortized Premiums	228,571		25,397	203,174	
Less: Unamortized Costs on Refundings	(97,009)		(10,779)	(86,230)	
Bonds Payable, Net	7,886,562		684,618	7,201,944	710,000
Other Postemployment Benefits Payable	232,811	209,570	314,835	127,546	
Estimated Insurance Claims Payable	12,334,000	41,182,723	41,228,723	12,288,000	7,554,000
Compensated Absences Payable	26,488,911	13,555,585	14,086,790	25,957,706	14,086,790
Arbitrage Rebate Liability	750,000		676,315	73,685	
Total Governmental Activities	\$ 601,031,562	\$ 54,947,878	\$ 76,433,026	\$ 579,546,414	\$ 41,675,790

For the governmental activities, compensated absences and postemployment healthcare benefits are generally liquidated with resources of the General Fund. Estimated insurance claims are generally liquidated with resources of the internal service funds, as discussed in Note 17.

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 190,279	\$
Capital Projects:		
Local Capital Improvement	2,440,564	
Other		2,440,564
Special Revenue:		
ARRA Economic Stimulus		23,422
Nonmajor Governmental		166,857
Total	<u>\$ 2,630,843</u>	<u>\$ 2,630,843</u>

At year-end, the District had expenditures in its Nonmajor Governmental Funds for special revenue projects that had not yet been reimbursed by the grantor agencies. These expenditures were paid from the General Fund. Also, at year-end, the District had expenditures in its Capital Projects – Other Fund for COPs projects that had not been reimbursed by the District’s trustee bank. These expenditures were paid from the Capital Projects – Local Capital Improvement Fund. Also, the American Recovery and Reinvestment Act Economic Stimulus Fund (ARRA) had a payable to the General Fund.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 26,458,219	\$
Debt Service:		
Other	47,637,604	
Capital Projects:		
Local Capital Improvement		63,583,667
Other		8,949,457
Nonmajor Governmental		1,562,699
Total	<u>\$ 74,095,823</u>	<u>\$ 74,095,823</u>

Transfers to the General Fund were to reimburse expenditures for repairs and maintenance projects, property-casualty insurance premiums, equipment purchases and for other operational purposes. Transfers to the Debt Service – Other Fund were to provide moneys for scheduled debt service payments for principal, interest, and other debt service costs.

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

11. 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 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund total \$17,830, at June 30, 2009.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Categorical Educational Programs:	
Class Size Reduction	\$ 46,248,123
Transportation	7,346,733
Instructional Materials	3,998,815
School Recognition	2,160,283
Florida Teachers Lead	691,976
Other	3,439,012
Florida Education Finance Program	17,458,827
Workforce Development Program	6,972,142
Gross Receipts Tax (Public Education Capital Outlay)	2,533,032
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,785,279
Discretionary Lottery Funds	1,109,869
Food Service Supplement	259,028
Miscellaneous	507,651
Total	\$ 94,510,770

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	2.607	\$ 210,413,147
Basic Discretionary Local Effort	0.498	40,193,994
Supplemental Discretionary Local Effort	0.054	4,358,385
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	141,243,956
Total	<u>4.909</u>	<u>\$ 396,209,482</u>

14. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 1,053 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$4,329,198.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

(B) Contribution rates are dependent upon 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 ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$24,437,853, \$25,471,888, and \$24,164,654, respectively, which were equal to the required contributions for each fiscal year.

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

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

15. OTHER POSTEMPLOYMENT BENEFITS

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

Funding Policy. Plan contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you go basis. For the 2008-09 fiscal year, 158 retirees received postemployment health care benefits, and 216 retirees received postemployment life insurance benefits. The District provided required contributions of \$314,835 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$1,453,301.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for other postemployment benefits:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Amount
Normal Cost (service cost for one year)	\$ 187,667
Amortization of Unfunded Actuarial Accrued Liability	192,447
Interest on Normal Cost and Amortization	7,261
Annual Required Contribution	387,375
Interest on Net OPEB Obligation	9,312
Adjustment to Annual Required Contribution (1)	(187,117)
Annual OPEB Cost (Expense)	209,570
Contribution Toward the OPEB Cost	(314,835)
Decrease in Net OPEB Obligation	(105,265)
Net OPEB Obligation, Beginning of Year	232,811
Net OPEB Obligation, End of Year	\$ 127,546

Note (1): A change in life insurance estimate in the amount of \$173,654 is included in the Adjustment to ARC. This change in estimate is attributable to reconsideration of the approach used to calculate the Life Actuarial Accrued Liability (AAL) resulting from the Life Insurer being able to provide more accurate representation of the implicit cost of retiree life insurance.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/07	\$ 0	0%	\$ 0
2007-08	482,928	51.8%	232,811
2008-09	209,570	150.2%	127,546

Funded Status and Funding Progress. As of June 30, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$3,451,606, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,451,606 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$253,016,208 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District used the unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, as well as the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2008-09 fiscal year, reduced to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

16. 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
Golden Gate Middle School Additions and Renovations:			
Architect	\$ 916,100	\$ 907,122	\$ 8,978
Contractor	17,404,651	16,761,575	643,076
Highlands Elementary School Additions and Renovations:			
Architect	1,188,428	1,114,747	73,681
Contractor	20,923,326	20,115,963	807,363
Immokalee Career Center New Construction:			
Architect	1,614,052	1,452,909	161,143
Contractor	24,211,398	23,027,825	1,183,573
Immokalee High School Additions and Renovations:			
Architect	1,697,500	1,392,481	305,019
Contractor	21,863,228	5,481,161	16,382,067
Lake Trafford Elementary School Additions and Renovations:			
Architect	16,809,443	16,058,267	751,176
Contractor	1,139,993	1,070,013	69,980
Lorenzo Walker Institute of Technology Additions and Renovations:			
Architect	1,600,831	1,490,072	110,759
Contractor	19,970,135	16,761,173	3,208,962
Naples High School Gymnasium Renovation:			
Architect	1,063,164	961,545	101,619
Contractor	13,716,746	12,817,514	899,232
Palmetto Elementary School a/k/a Elementary "J":			
Architect	782,500	772,900	9,600
Contractor	23,341,692	22,815,552	526,140
Pinecrest Elementary School Additions and Renovations:			
Architect	1,010,357	994,229	16,128
Contractor	24,672,627	24,170,699	501,928
Veteran's Memorial School a/k/a Elementary "I" Addition:			
Architect	151,480	149,380	2,100
Contractor	3,676,117	2,553,625	1,122,492
Athletic Improvements			
Contractor	11,549,210	9,562,508	1,986,702
Total	<u>\$ 209,302,978</u>	<u>\$ 180,431,260</u>	<u>\$ 28,871,718</u>

17. 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. Workers' compensation and health and hospitalization coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District.

**COLLIER COUNTY
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The District contracts with a third-party administrator to manage the health and hospitalization self-insurance program, including the processing, investigating, and payment of claims. The third-party administrator notifies the District of the scheduled claim disbursements, and the District transfers the required funds into the District's Health Care Claims Account. The third-party administrator then draws on this account to pay claims submitted by District employees, their dependents, and participating retirees. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District also contracts with a third-party administrator to manage its workers' compensation self-insurance program that includes provisions for specific excess loss reinsurance. The third-party administrator handles the processing, investigating, and payment of claims. The District's program is reviewed annually by an actuary to determine the long-term exposure for workers' compensation claims. The trend over the last few years has been adverse, and claims exposure and related long-term liabilities have increased substantially.

A liability in the amount of \$12,288,000 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable for the health and hospitalization and workers' compensation self-insurance programs at June 30, 2009.

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 13,673,000	\$ 37,669,577	\$ (39,008,577)	\$ 12,334,000
2008-09	12,334,000	41,182,723	(41,228,723)	12,288,000

Other required insurance coverage, such as automobile liability and general liability, is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

18. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2008-09 fiscal year:

	Total	Group Health Insurance	Workers' Compensation Insurance	Employee Benefits Plan
Total Assets	<u>\$ 27,735,372</u>	<u>\$ 14,091,829</u>	<u>\$ 13,121,399</u>	<u>\$ 522,144</u>
Liabilities and Net Assets:				
Accounts Payable	\$ 292,158	\$ 249,923	\$ 38,297	\$ 3,938
Salaries and Wages Payable	9,625	6,313	3,107	205
Payroll Deductions and Withholdings Payable	3,772	2,501	1,186	85
Due to Other Agencies	74,665	41,604	19,075	13,986
Estimated Insurance Claims Payable	12,288,000	4,872,000	7,416,000	
Unrestricted Net Assets	<u>15,067,152</u>	<u>8,919,488</u>	<u>5,643,734</u>	<u>503,930</u>
Total Liabilities and Net Assets	<u>\$ 27,735,372</u>	<u>\$ 14,091,829</u>	<u>\$ 13,121,399</u>	<u>\$ 522,144</u>
Revenues:				
Premium Contributions	\$ 29,612,513	\$ 28,302,862	\$ 439,274	\$ 870,377
Paid by Employees	4,417,926	3,187,556		1,230,370
Paid by Retirees	1,357,425	1,350,280		7,145
Interest Income	312,683	153,080	156,111	3,492
Decrease in Fair Market Value of Investments	<u>(744,544)</u>	<u></u>	<u>(744,544)</u>	<u></u>
Total Revenues	34,956,003	32,993,778	(149,159)	2,111,384
Total Expenses	<u>(46,977,883)</u>	<u>(41,656,317)</u>	<u>(3,237,760)</u>	<u>(2,083,806)</u>
Change in Net Assets	<u>\$ (12,021,880)</u>	<u>\$ (8,662,539)</u>	<u>\$ (3,386,919)</u>	<u>\$ 27,578</u>

19. FUND BALANCE DESIGNATIONS

The District has designated a portion of the unreserved fund balance in the General Fund for the following:

- Designated for Strategic Reserve: Pursuant to Board Policy 6210, the Board has set a goal of 4 percent of annual resources designated as a strategic reserve. The strategic reserve shall only be utilized by a supermajority vote from members of the Board. As of June 30, 2009, the District had designated \$11,200,000 as a strategic reserve.
- Designated for Local Carryover Projects: The District designated \$3,467,655 for various program balances not restricted by the State, workforce programs, and various school and department budget carry forwards.
- Designated for Contingency Reserve: Pursuant to Board Policy 6210, the Board has set a goal of 1 percent of annual resources designated as a contingency reserve. The Superintendent has the authority to utilize the contingency reserve, and is required to report such use to the Board at a subsequent Board

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

meeting. As of June 30, 2009, the District had \$10,292,411 designated for contingencies such as FTE audit adjustments, State revenue shortages, and FTE revenue shortfalls.

20. CHANGE IN ACCOUNTING POLICY

As a result of a change in accounting policy regarding cash equivalents, the beginning cash balance on the Statement of Cash Flows – Proprietary Funds has been restated. This change had the effect of increasing the District's cash and cash equivalents beginning balance at July 1, 2008, by \$ 21,179,323 from \$19,740,614 to \$40,919,937.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 400,000	\$ 423,352	\$ 423,352	\$
Federal Through State and Local	450,000	1,164,030	1,164,030	
State	95,242,737	89,839,118	89,839,118	
Local:				
Property Taxes	243,624,913	247,236,020	247,236,020	
Miscellaneous	7,713,612	7,893,682	7,893,682	
Total Revenues	347,431,262	346,556,202	346,556,202	
Expenditures				
Current - Education:				
Instruction	242,727,439	237,345,079	229,213,987	8,131,092
Pupil Personnel Services	15,325,426	13,973,865	13,730,619	243,246
Instructional Media Services	5,713,276	5,535,263	5,449,212	86,051
Instruction and Curriculum Development Services	6,849,574	4,355,742	4,148,097	207,645
Instructional Staff Training Services	5,574,398	3,793,284	2,791,616	1,001,668
Instruction Related Technology	1,348,177	1,412,292	1,399,167	13,125
Board of Education	1,866,766	1,570,639	1,136,517	434,122
General Administration	1,499,810	1,578,309	1,542,308	36,001
School Administration	26,572,056	26,573,255	25,679,215	894,040
Facilities Acquisition and Construction	1,618,927	1,062,964	334,675	728,289
Fiscal Services	1,941,677	2,464,041	2,055,360	408,681
Food Services				
Central Services	6,304,024	6,361,619	5,509,522	852,097
Pupil Transportation Services	22,593,692	18,082,445	16,725,753	1,356,692
Operation of Plant	40,341,116	43,189,873	38,923,860	4,266,013
Maintenance of Plant	18,045,982	16,755,022	15,692,543	1,062,479
Administrative Technology Services	3,798,377	2,562,773	2,509,973	52,800
Community Services	4,793	4,793	428	4,365
Fixed Capital Outlay:				
Facilities Acquisition and Construction		921,506	921,506	
Other Capital Outlay		3,049,845	3,049,845	
Total Expenditures	402,125,510	390,592,609	370,814,203	19,778,406
Deficiency of Revenues Over Expenditures	(54,694,248)	(44,036,407)	(24,258,001)	19,778,406
Other Financing Sources				
Transfers In	30,198,299	26,458,219	26,458,219	
Proceeds from Sale of Capital Assets	10,000	228,593	228,593	
Insurance Loss Recoveries	10,000	1,655,070	1,655,070	
Total Other Financing Sources	30,218,299	28,341,882	28,341,882	
Net Change in Fund Balances	(24,475,949)	(15,694,525)	4,083,881	19,778,406
Fund Balances, Beginning	39,892,499	39,892,499	39,892,499	
Fund Balances, Ending	\$ 15,416,550	\$ 24,197,974	\$ 43,976,380	\$ 19,778,406

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$	\$	\$
	5,956,925	46,856	(5,910,069)
	5,956,925	46,856	(5,910,069)
	3,424,616	44,101	3,380,515
	106,627		106,627
	811,225		811,225
	1,291,523		1,291,523
	186,150	1,514	184,636
	7,372	157	7,215
	39,880		39,880
	68,852		68,852
	11,680	1,084	10,596
	9,000		9,000
	5,956,925	46,856	5,910,069
\$ 0	\$ 0	\$ 0	\$ 0

COLLIER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2007	\$ 0	\$ 3,988,037	\$ 3,988,037	0.0%	\$ 271,632,533	1.5%
July 1, 2008	0	3,451,606	3,451,606	0.0%	253,016,208	1.4%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

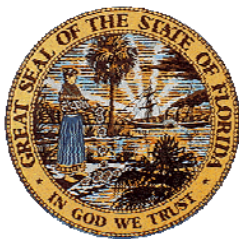
**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education	10.553	321	\$ 2,226,506
School Breakfast Program	10.555	300, 350	8,439,563
National School Lunch Program			
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	951,061
Total United States Department of Agriculture			11,617,130
United States Department of Labor:			
Indirect:			
Southwest Florida Workforce Development Board:			
ARRA - WIA Youth Activities	17.259	None	46,856
Florida Department of Education:			
National Farmworker Jobs Program	17.264	405	415,906
Total United States Department of Labor			462,762
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	6,811
Federal Pell Grant Program	84.063	N/A	502,226
Total Student Financial Assistance Cluster			509,037
Indian Education - Grants to Local Educational Agencies	84.060	N/A	10,011
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	139,859
Fund for the Improvement of Education	84.215	N/A	611
Twenty-First Century Community Learning Centers	84.287	N/A	420,420
Advanced Placement Program (Advanced Placement Test Fee;			
Advanced Placement Incentive Program Grants)	84.330	N/A	751,493
Arts in Education	84.351	N/A	92,305
Total Direct			1,923,736
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	8,604,111
Special Education - Preschool Grants	84.173	266, 267	277,941
University of Florida:			
Special Education - Grants to States	84.027	None	7,053
University of South Florida:			
Special Education - Grants to States	84.027	None	1,727
Total Special Education Cluster			8,890,832
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	586,938
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	5,963,412
Migrant Education - State Grant Program	84.011	217	5,019,598
Career and Technical Education - Basic Grants to States	84.048	151, 161	491,897
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	None	122,556
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	145,057
Education for Homeless Children and Youth	84.196	127	80,370
Even Start - State Educational Agencies	84.213	219	213,433
Twenty-First Century Community Learning Centers	84.287	244	559,732
State Grants for Innovative Programs	84.298	113	4,518
Education Technology State Grants	84.318	121, 122	721,074
English Language Acquisition Grants	84.365	102	2,481,649
Improving Teacher Quality State Grants	84.367	224	1,511,711
School Improvement Grants	84.377	126	627,449

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2009**

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 Education (continued):			
Southwest Florida Workforce Development Board: Twenty-First Century Community Learning Centers	84.287	None	\$ 533,864
Lee County District School Board: Reading First State Grants	84.357	None	652,188
University of Oregon: Special Education - Technology and Media Services for Individuals with Disabilities	84.327	None	8,185
Total Indirect			28,614,463
Total United States Department of Education			30,538,199
United States Department of Health and Human Services:			
Direct: Head Start	93.600 (3)	N/A	2,722,092
Indirect: Florida Department of Children and Families: Refugee and Entrant Assistance - State Administered Programs	93.566	None	695,200
Florida Department of Education: Refugee and Entrant Assistance - Discretionary Grants	93.576	137	146,719
Total United States Department of Health and Human Services			3,564,011
United States Department of Homeland Security:			
Indirect: Florida Division of Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	021-0D6F1-00	1,612,608
Hazard Mitigation Grant	97.039 (2)(B)	07HM-011	2,310,656
Florida Department of Education: Homeland Security Grant Program	97.067	532	74,674
Total United States Department of Homeland Security			3,997,938
United States Department of Defense:			
Direct: Army Junior Reserve Officers Training Corps	None	N/A	423,352
Total Expenditures of Federal Awards			\$ 50,603,392

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 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.
 (A) National School Lunch Program - Represents the amount of donated food used during the fiscal year. Commodities are valued at fair value as determined at the time of donation.
 (B) Hazard Mitigation Grant - Represents the Federally-paid portion of emergency shelter generator totaling \$469,368 and Federally-paid installation costs of \$1,841,288.
- (3) Head Start. Expenditures include \$484 for grant number/program year 04CH3193/42 and \$2,721,608 for grant number/program year 04CH3193/43.



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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Collier County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Collier County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

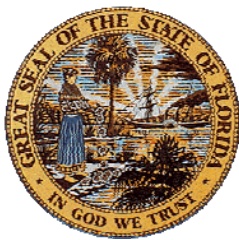
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
December 18, 2009



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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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 Collier County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing

our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
December 18, 2009

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); Migrant Education – State Grant Program (CFDA No. 84.011); English Language Acquisition Grants (CFDA No. 84.365); Disaster Grants – Public Assistance (CFDA No. 97.036); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,518,101
Auditee qualified as low-risk auditee?	Yes

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ADDITIONAL MATTERS

Finding No. 1: A La Carte Meal Sales

The District reported local food service revenues totaling approximately \$7.2 million, and approximately \$3.7 million of these revenues represented a la carte sales during the 2008-09 fiscal year. However, we noted that District personnel did not use point-of-sale cash register systems, or other receipting devices, to document a la carte sales, and adequate inventory controls were not in place to substantiate the sales reported, as discussed below.

A la carte line cashiers recorded inventory quantities received and disbursed to support amounts reported as sales and were responsible for recording cash collections. The cashiers provided documents, evidencing these transactions, along with the cash drawer, to the cafeteria managers for the managers to reconcile daily. However, no one independently verified the change in inventory quantities to substantiate the a la carte sales. In these circumstances, one employee has control over the transaction process such that errors or misappropriations, should they occur, may not be detected in a timely manner.

To compensate, in part, for the control weakness noted above, a field supervisor performs unannounced quarterly visits to selected school cafeterias. During a monitoring visit at one high school, a field supervisor attempted to reconcile District records of a la carte sales with cash collections, and noted discrepancies, totaling \$529.90. Further reviews of the a la carte line operation records at the school indicated that approximately \$10,700 was missing. Subsequently, the District implemented new cash control procedures, including preparation of forms, signed by both the cashier and the manager, to support a la carte sales. Further, the amounts on these forms are required to be entered into the computer system in a more timely and efficient manner.

Recommendation: **The District should expand its monitoring visits to ensure that its new cash control procedures result in proper accountability of a la carte food service sales.**

Finding No. 2: Monitoring Charter Schools

During the 2008-09 fiscal year, the District sponsored two charter schools, and agreements with the schools required them to maintain commercial general liability, automobile liability, workers' compensation, school leaders' errors and omissions, excess/umbrella liability, and property insurance, with specified limits of coverage. Further, the District's Secondary Programs Department is responsible for monitoring the charter schools' compliance with the insurance requirements; however, we noted instances in which District records did not evidence that one charter school's insurance met the minimum requirements, as follows:

- District records did not evidence charter school insurance to provide fidelity, dishonesty, and liability coverage for acts of school volunteers;
- Insurance coverage did not evidence automobile coverage for volunteers who use personal vehicles for school purposes; and

- District records lacked evidence of charter school property insurance and coverage for contractual liability risks.

District personnel indicated that the above control deficiencies may have occurred because of the deletion of the Risk Manager position and reorganization of the Secondary Programs Department. A similar finding was noted in our report No. 2007-080.

Recommendation: The District should enhance procedures to ensure that its charter schools maintain insurance as required in the charter school agreements.

Finding No. 3: Adult Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriations 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education's (FDOE) instructional hours reporting procedures. In addition, school districts are required to develop their own procedures for withdrawing students.

The District reported 698,915 adult general education hours to FDOE. Our tests of District records for 20 students enrolled in 38 adult general education courses, included certain students taking multiple courses. Of these 38 courses, the District overreported contact hours for 5 courses, with the excess hours ranging from 3 to 228 hours over the hours that should have been reported based on enrollment records. The District also underreported contact hours for 5 other courses, with the deficient hours ranging from 3 to 315 hours. District personnel indicated that several factors contributed to these reporting discrepancies, such as:

- inputting errors for the first or last day of attendance;
- programming errors resulting in inaccurate entry and withdrawal dates in the database used by the adult education department for class attendance record keeping; and
- reporting withdrawal dates as the last dates of attendance instead of following FDOE's guidance of reporting the withdrawal dates when the students had six consecutive absences.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that such data be submitted correctly and in accordance with District enrollment records.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 4: Timely Removal of Former Employee Access

Effective controls over information technology (IT) resources include the timely removal of access to these resources when employees terminate. At the District, this access not only includes the ability for someone to log on to the District's main computer network but also, if network access is attained, the ability for someone to log on to the District's automated business software (the Total Educational Resource Management System or TERMS). Disabling of network access at the District is an automated process that is initiated by recording employee terminations in TERMS. The disabling of TERMS access is not automated but rather is dependent upon the periodic production of reports of termination actions by the IT Department which in turn causes an IT employee to input a TERMS deletion

action. Our audit disclosed deficiencies regarding the District's practices for removing the access privileges of former employees. Specifically:

- Network access for two former employees was not deleted until 13 and 38 days, respectively, after the person's last day of employment apparently due to delayed data entry of the termination action into TERMS by the Human Resources Department. Network access for another former employee who had terminated on February 27, 2009, had not been removed as of the date of our review on April 15, 2009, because of a malfunction with the automated system that generates the action to initially disable network access. Network access for two additional former employees who had terminated on April 28, 2009, and June 3, 2009, respectively, had not been removed as of our review on July 20, 2009, because the reporting of termination actions had not occurred.
- A former employee's network account was permanently deleted after the person's network access had been disabled for 120 days. However, no documentation of the original action to disable the network access was maintained because of data storage limitations or concerns. Therefore, the District could not demonstrate whether the initial disabling of the former employee's access was performed timely.
- TERMS access for one former employee was not deleted until 236 days after the person's last day of employment because the termination code was not properly entered for this person.
- The District's IT Department had not established any written standards against which it could determine if disabling TERMS access was being accomplished in a timely manner. In practice, during the 2008-09 fiscal year, termination reports were only run once each month with the result that TERMS access was not deleted for up to 30 days for most former employees.

In the absence of timely removal of network and TERMS access, the risk is increased that a former employee or others could gain access to the District's IT resources and sensitive information for unauthorized purposes. In response to audit inquiry, the District's IT Department staff indicated that they have subsequently initiated actions to correct most of the above-described issues, except for the possible automation of the TERMS access deletion process which is currently under review.

Recommendation: **The District should continue its efforts to ensure that access to IT resources and sensitive information by former employees is timely disabled or deleted.**

Finding No. 5: Information Technology – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: **The District should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*COLLIER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009*

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
Cherry, Bekaert & Holland, LLP		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



OFFICE OF THE SUPERINTENDENT
5775 Osceola Trail • Naples, Florida 34109-0919
Phone: (239) 377-0212 • Fax: (239) 377-0206

December 10, 2009

Honorable David W. Martin
CPA Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

We are grateful for the fine efforts of your staff in their recent audit of our accounts and records for the fiscal year ended June 30, 2009. Pursuant to the provisions of Section 11:45 (4) (d), Florida Statutes, we respectfully submit the following statements concerning preliminary and tentative findings:

- 1. A La Carte Meal Sales:** The District agrees with the finding. The District identified the problem at Palmetto Ridge High School and brought this to the attention of the audit team. The District has implemented a new accountability program to identify any future problems, and ensure cash control procedures are being followed as required.
- 2. Monitoring Charter Schools:** Collier County District School Board is in agreement with the preliminary and tentative audit findings related to monitoring charter schools. The findings of deficiencies may have resulted because of reorganization of the responsibilities in the areas of Charter Schools and Risk Management.

All insurance coverage identified in the Audit Findings is currently in force. A system has been established and is in place to annually monitor for required insurance coverage.
- 3. Adult Education Courses:** The Adult Education Department is in agreement with the finding which identified attendance record keeping irregularities. The enrollment and withdrawal date discrepancies should be alleviated by instituting a common database for attendance collection and reporting. This is in process of being developed. Until it is implemented, we will increase both attendance monitoring and reconciliation processes.

Honorable David W. Martin, CPA
December 10, 2009
Page 2

4. Timely Removal of Former Employee Access: The District agrees with the finding and will implement the following to ensure timely removal of employees from all network systems:

In order to ensure timely removal of former employee access, the Human Resources and Technology departments will work together to implement the following plan:

- As Separation Forms are received in Human Resources, information will be entered into the UserApp system within one work day.
- As extended leaves are approved through Human Resources, information will be entered into the UserApp system within one work day.
- When Human Resources approves an employee to return from an extended leave, information will be entered into the UserApp system within one work day.

Once information is entered into UserApp, the information will be immediately processed by the Identity Vault to disable terminated or extended leave employee network accounts. When an employee returns from extended leave, the Identity Vault will immediately enable the network account as soon as the information is entered into UserApp. TERMS processing for disable/enable of accounts will also be based on the information entered into UserApp and will be processed on the same day of data entry.

5. User Authentication: The District agrees with the finding and will correct the specific user authentication controls to ensure increased security in this area. The specific controls that need improvement were not mentioned in the finding for security reasons; however, all of these items were communicated to District Technology staff and are understood. For security reasons, the specific controls will not be mentioned in this response either. The District has taken corrective action on these controls to ensure increased security with regards to user authentication for the District network and resources.

The District is committed to continued improvement in our processes and procedures. Your audit has been helpful and staff has already implemented or developed action plans to address the issues as noted above.

Sincerely,



Dennis L. Thompson
Superintendent

DLT/RCS:cll