



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



COLLIER COUNTY
DISTRICT SCHOOL BOARD
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

Collier County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Patricia Carroll, Chair to 11-21-05</i>	<i>1</i>
<i>Kathleen Curatolo, Vice Chair to 11-21-05, Chair from 11-22-05</i>	<i>2</i>
<i>Steven J. Donovan, Vice Chair from 11-22-05</i>	<i>3</i>
<i>Linda Abbott</i>	<i>4</i>
<i>Dick J. Bruce</i>	<i>5</i>
 <i>Raymond J. Baker, Superintendent</i>	

AUDITOR GENERAL

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

COLLIER COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Collier County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

Summary of Audit Findings**Finding No. 1: Monitoring Charter Schools**

Improvements were needed in the District's monitoring of its charter schools to ensure that the schools provide evidence of insurance required by the contracts with the District.

Finding No. 2: Architect Insurance Requirements

We noted that neither Board policy nor the District's invitation to obtain professional services contained requirements for the specific types and amounts of insurance to be maintained in professional service contracts.

Finding No. 3: Workforce Education Postsecondary Student Fees

Our review disclosed that student fees were incorrectly calculated and recorded, not Board approved, and no documentation was provided to support lab and other fees.

Finding No. 4: Fingerprinting and Background Checks

The District did not acquire fingerprints and background checks on personnel having direct contact with students, including instructors renewing their teaching certificates and other paraprofessionals and education support personnel, contrary to Sections 1012.32 and 1012.465, Florida Statutes, and instructions disseminated by the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Student Financial Assistance Cluster, Migrant Education – State Grant Program, English Language Acquisition Grants, Improving Teacher Quality State Grants, and Disaster Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

Our audit objectives were to determine whether the 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 management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient

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

- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- The District corrected the deficiencies and exceptions cited in our report No. 2004-198.

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, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

This audit was conducted by David Pournaras, CPA, and supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

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

FINDINGS AND RECOMMENDATIONS

Additional Matters

Finding No. 1: Monitoring Charter Schools

Section 1002.33(5), Florida Statutes, states, in part, that a district school board must monitor the charter schools that it sponsors. Contracts between the District and its two charter schools describe each party's responsibilities, including minimum insurance coverage that the schools are required to maintain. Our review of the charter schools' certificates of insurance provided to us by the District disclosed the following deficiencies: 1) neither charter school purchased errors and omissions insurance or fidelity/dishonesty/liability insurance required by the contracts; and 2) the workers' compensation insurance for one of the two charter schools only provided an aggregate limit of \$500,000, whereas the contract required an aggregate limit of \$1,000,000. These deficiencies indicate that the District is not effectively carrying out its responsibility to monitor the sponsored charter schools.

Furthermore, inquiries of District personnel disclosed that no specific employee appeared to be assigned the task of monitoring compliance with the insurance requirements stated in the charter school contracts. Under these circumstances, there is an increased risk that an uninsured claim could negatively affect the financial health of a charter school, as well as result in unnecessary financial costs to the District.

Recommendation: **The District should enhance its monitoring procedures to ensure that its charter schools provide evidence of the minimum insurance required by the contracts with the District.**

Finding No. 2: Architect Insurance Requirements

Section 4.1(2)(f) of the Florida Department of Education's publication, *State Requirements for Educational Facilities - 1999*, recommends that district school boards require that design professionals carry insurance for errors and omissions or liability either through board policy or through the advertisement for request for services. During the 2005-06 fiscal year, the District entered into a number of contracts with design professionals. Our review of three such contracts disclosed that the architectural firms provided the required certificate of liability insurance forms. However, the insurance coverages varied significantly, as follows: 1) \$1 million per claim and \$1 million aggregate for an architect designing a \$24.3 million project; 2) \$3 million per claim and \$3 million aggregate for a \$2.3 million project; and 3) \$2 million per claim and \$5 million aggregate for an \$11.5 million project. We also noted that neither the architect agreements nor the District's invitation to obtain professional services contained requirements for the specific types and amounts of insurance that must be carried.

In the absence of specific written policies regarding insurance coverage required of architectural firms, including general liability, errors and omissions, automobile, and workers' compensation, the District may face unnecessary exposure to the various risks of possible loss relating to architectural services.

Recommendation: The District should enhance its procedures to ensure that contracted architectural firms are adequately and properly insured. Specifically, the District should determine the types and minimum amounts of insurance that should be maintained by such firms, such as professional liability, errors and omissions, and general, automobile, and workers' compensation, and include those requirements in all invitations to obtain professional services, new agreements, and renewed agreements for architectural services.

Finding No. 3: Workforce Education Postsecondary Student Fees

Section 1009.22, Florida Statutes, describes the various fees which can be charged to students enrolled in workforce development postsecondary courses and specifies how and by whom the tuition fees for these courses are to be set. Section 1009.22(9), Florida Statutes, provides that in addition to tuition, financial aid, capital improvement, and technology fees, district school boards are authorized to establish user fees and fines, including laboratory fees, fees and fines relating to facilities and equipment use or damage, access or identification card fees, duplicating, photocopying, binding, or microfilming fees, and standardized testing fees. This section further provides that such user fees and fines shall not exceed the cost of the services provided and shall only be charged to persons receiving the service. Based on our review of program records and discussion with District personnel, the District did not document that lab and other fees assessed by the District for the 2005-06 fiscal year did not exceed the costs of providing such services. Furthermore, our review of Board minutes disclosed that the Board did not approve the hourly fee schedule for the District's workforce education program.

Fees for workforce education postsecondary courses totaled approximately \$1.6 million for fiscal year 2005-06. Our review of 20 students enrolled in the District's workforce courses disclosed that 10 students were charged an incorrect amount, ranging from an under charge of \$132 to an over charge of \$115. This was due to the District calculating the fees by dividing the program's total cost equally over the number of semesters for each program, rather than using an hourly rate to calculate the amount due from the student for each semester of the course.

Also, we noted that the allocation and coding of student fees was not correct. The fees collected included tuition, financial aid, and capital improvement components; however, the fees were allocated and coded to tuition and financial aid accounts, but not to the capital improvement account.

Recommendation: The District should amend its procedures as necessary to ensure that student fees are approved by the Board annually, properly assessed, and allocated for authorized purposes.

Finding No. 4: Fingerprinting and Background Checks

The District should improve its procedures for timely renewal of fingerprints and background checks for staff that have direct contact with students. Sections 1012.56(9) and 1012.465, Florida Statutes (2004), required instructional personnel renewing their teaching certificates and noninstructional personnel every five years following employment, respectively, to file a complete set of fingerprints and undergo a background screening. In a memorandum dated June 25, 2004, the Florida Department of Education (FDOE), recommended that, due to the large number of affected employees, districts conduct the background screenings for certified instructional employees every five years at the time of renewal of their teaching certificates and that background screenings be

obtained for approximately 20 percent of the noninstructional employees each year over a five-year period in order to have all background screenings for such staff completed by July 1, 2009. The District's plan for the 2005-06 fiscal year included performing fingerprinting and background checks for employees at the administration center, selected schools, and other facilities.

Although the District continued to implement the plan it had adopted in the previous fiscal year, as of June 30, 2006, the District had performed the necessary fingerprinting and background checks for only 32 percent of the District's employees subject to these requirements. Further, our review disclosed that of 36 instructional personnel who renewed their teaching certificates during the 2005-06 fiscal year, 34 had not undergone a background screening, including a requirement that such staff file a complete set of fingerprints, contrary to the requirements of Section 1012.56(9), Florida Statutes. However, District staff informed us that procedures have been implemented, as of June 2006, for the District to be in compliance with these requirements effective with the 2006-07 fiscal year.

Recommendation: The District should continue to strengthen its procedures to perform fingerprinting and background checks of instructional and noninstructional personnel to provide timely protection for students, staff, and District assets.

PRIOR AUDIT FINDINGS

The District corrected the deficiencies and exceptions cited in our report No. 2004-198.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Collier County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 60 and 61.

FINANCIAL SECTION

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

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

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

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

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

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

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

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

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

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT – L *Budgetary Comparison Schedule – General Fund.*



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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, 2006, which collectively comprise the District's basic financial statements as listed on page 4. 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 9 percent of the assets and 15 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 provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the aggregate discretely presented component units, is based on the reports of the other auditors.

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

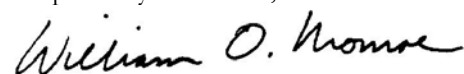
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Collier County District School Board as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Collier County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements 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 7 through 14) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Respectfully submitted,



William O. Monroe, CPA
November 17, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The District School Board of Collier County's (the District) Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2006. Please read it in conjunction with the District's financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2005-06 fiscal year are as follows:

- The District had to issue a refund to the State of Florida on May 26, 2006, for Florida Educational Finance Program revenue that was not earned in the amount of \$4.8 million. The refund is attributable to two factors. The first is the result of a lower number of full-time equivalent (FTE) students than what was projected; the second is attributable to revenue reductions associated with the State's McKay Students with Disabilities Scholarship Program which is a voucher program. The State adjusts revenues to all school districts for the McKay Scholarship Program in the last quarter of each fiscal year. The administration recognized these factors in time to adjust the budget and to prepare for the required refund.
- The School Board, on April 7, 2005, implemented Board Policy DAA which establishes minimum requirements for the General Fund fund balance. This policy states a goal of 5 percent of the total General Fund revenues of which 4 percent is reflected as a reserve for ending cash and the remaining 1 percent for contingency. This policy is supported by the District's Administrative Procedure No. 2-2004 which provides for a phase-in period that started with the 2005-06 school year requiring a reserve for ending cash of 2.5 percent and a contingency fund balance of 0.5 percent. The reserve balances pursuant to this policy are increased to 3.0 percent for ending cash and 0.5 percent for contingency fund balance for the 2006-07 fiscal year. The District's budget for 2006-07 reflects these increased reserves.
- During the current period, General Fund revenues and other financing sources exceeded expenditures by \$9.6 million. This change in fund balance has enabled the District to support rising property and casualty insurance costs, pay increased fuel and utility costs, enhance its salaries, and improve its reserves for the 2006-07 fiscal year.
- The enhanced financial status is directly attributable to management's effort to restore stability to the General Fund balances and reserves.

On October 24, 2005, Hurricane Wilma made landfall in Southwest Florida. The total amount of damage the District sustained is approximately \$7 million, including operation of shelter facilities, debris removal, roofing damage, interior water damage, furniture, fixtures, and equipment damage, and food spoilage. All schools within the District are currently fully functional. The District's losses are below its insurance deductible of \$15 million; therefore, insurance claims will not be filed. FEMA applications are currently being filed for all eligible reimbursements, with the Federal government expected to pay 75 percent of uninsured losses and the State of Florida matching 12.5 percent of such losses, leaving the District to absorb the balance of 12.5 percent. The District expects its portion to be less than \$1 million after Federal and State reimbursements. The District's capital funds are being used for repairs/damages.

NON-FINANCIAL EVENTS

The District's enrollment grew by 1,187 students or 2.9 percent during 2005-2006.

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 *District-wide 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 District-wide 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 Statements* provide 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

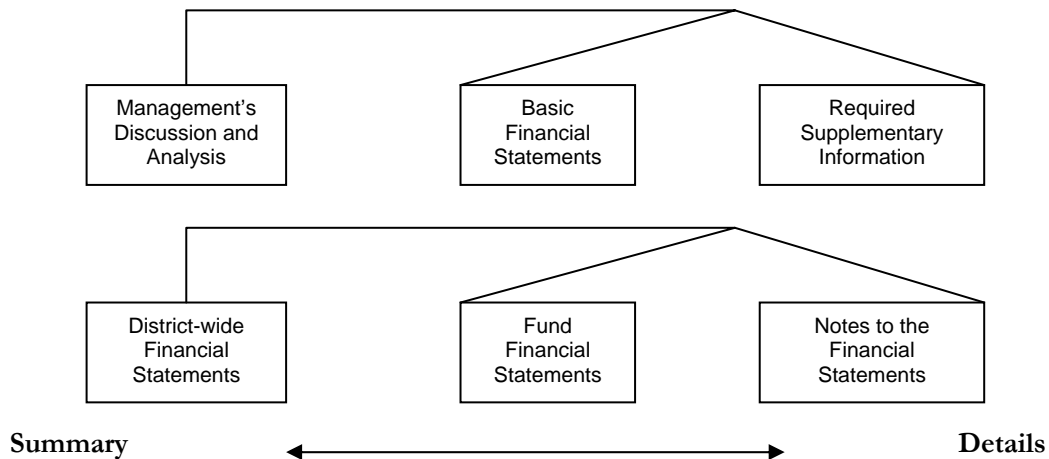


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section highlights the structure and contents of each of the statements.

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

	<i>District-wide 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 activities moneys.
<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 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 do not currently contain capital assets, although they can.
<i>Type of in-flow/out-flow information</i>	All revenues and expenses during 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.

District-Wide Financial Statements

The District-wide 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 District-wide 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 District-wide 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 – not 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 bond 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 District-wide statements, separate reconciliations explain the relationships and/or differences between the funds.
- *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 District-wide 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 District-wide statements because it cannot use these funds to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets increased by \$53.5 million, from \$493.6 million at June 30, 2005, to \$547.1 million at June 30, 2006.

Figure A-3

Condensed Statement of Net Assets
(in millions of dollars)

	Governmental Activities	
	June 30, 2006	June 30, 2005
Current and Other Assets	\$ 189.6	\$ 160.0
Capital Assets	689.8	664.9
Total Assets	879.4	824.9
Long-Term Liabilities	310.0	288.5
Other Liabilities	22.3	42.8
Total Liabilities	332.3	331.3
Net Assets:		
Invested in Capital Assets -		
Net of Debt	419.2	389.5
Restricted	99.2	87.0
Unrestricted (Deficit)	28.7	17.1
Total Net Assets	\$ 547.1	\$ 493.6

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

Figure A-4

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

	Governmental Activities	
	2005-06	2004-05
Program Revenues:		
Charges for Services	\$ 10.3	\$ 8.4
Operating Grants and Contributions	50.2	46.2
Capital Grants and Contributions	13.4	10.4
General Revenues:		
Property Taxes	354.9	308.6
State Funding	66.3	76.8
Other	25.3	14.8
Total Revenues	520.4	465.2
Functions/Program Expenses:		
Instruction	241.1	223.1
Pupil and Instructional Services	39.8	33.4
Administration and Business	36.2	25.1
Maintenance and Operations	116.6	96.3
Transportation	20.1	18.7
Other	13.1	13.3
Total Functions/Program Expenses	466.9	409.9
Increase in Net Assets	\$ 53.5	\$ 55.3

Financial Analysis of the District’s Funds

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. As the District completed the year, its Governmental Funds reported combined fund balances of \$140.9 million. This was an increase over the prior year by \$18.6 million. The General Fund balance increased from \$29.3 million to \$38.9 million.

The increase in the fund balance of the Capital Projects – Local Capital Improvement Fund of \$10.4 million, is due primarily to a significant increase in property tax revenues. This is due to an increase in property tax values and an increase in housing developments. The decrease of \$4.0 million in the fund balance of the Capital Projects – Other Fund is due to expenditures for construction contracts in progress and the transfer of funds for scheduled debt service payments.

Budget Variances in the General Fund

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 regarding their schools and departments, 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 elected school 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 or State funding prorations due to statewide revenue shortfalls.

The primary reason for the reduction in State funding sources from the original budget of \$76.4 million to \$70.9 million was the refund of unearned revenue to the State in the amount of \$4.8 million dollars.

Actual local revenue increased by \$7.9 million for the year when compared to the original budget. Additional local revenue collected represents increased tax collections due to an increase in property values and number of housing developments, and increased interest earnings.

The most significant change for the General Fund in the original appropriations budget (\$413.6 million) and the final appropriations budget (\$393.6 million) was a reduction in appropriations for maintenance of plant. This appropriation was reduced to reflect a philosophical change in reclassifying major maintenance and renovation projects from the operating funds into the capital funds. The reduction in appropriations for 2005-06 was offset by a similar reduction in an incoming (nonrevenue) transfer from the District's capital funds.

Appropriations for maintenance of plant reflect a \$13.4 million variance between the final budget and actual expenditures, of which \$10.4 million represents obligations not yet incurred or paid, i.e., encumbered outstanding purchase orders. These encumbered purchase orders carried forward into 2006-07.

General Fund budget variances for the year compare actual expenditures and final budget figures. The variances take into consideration outstanding encumbrances. These encumbrances represent obligations that are expected to be paid in the subsequent year. The encumbrances for the General Fund at year-end are \$12.7 million of which \$1.1 million is directly related to instruction, \$10.4 million is related to Maintenance of Plant, and the balance of \$1.2 million is attributable to other functions.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2006, amounts to \$689.8 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software.

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

Debt Administration

At June 30, 2006, the District had total long-term debt outstanding of \$273.1 million. This amount was comprised of \$9.2 million of bonds payable and \$263.8 million of certificates of participation payable.

Additions to long-term debt included \$3 million in bonds payable and \$4.2 million in certificates of participation payable in the form of QZABs (Qualified Zone Activity Bonds).

Retirement of long-term debt included \$3.9 million of bonds payable and \$11.3 million of certificates of participation payable.

Subsequent to the close of the fiscal year, the District issued debt in the form of Certificates of Participation, Series 2006, in the amount of \$221.5 million for the purpose of building new schools and classroom additions for existing schools.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District continues to experience growth, although the rate of growth is decreasing. This growth, combined with the 2002 constitutional amendments to reduce class size and to offer universal voluntary education to all four year olds, will result in the need for significantly more classrooms. Although the District has the ability to fund new schools or classroom additions through an adequate tax base and utilization of the authorized 2-mill capital outlay tax, as well as a local impact fee ordinance, it will become increasingly more difficult to fund the operating overhead associated with new schools.
- The School Board has settled negotiations with the teachers' bargaining unit while negotiations for the clerical and support bargaining units are still pending. The teachers' union contract provides for a 6 percent overall increase plus some restructuring of the salary schedule for 2006-07. The teachers have ratified a three year contract with provision to reopen their contract for annual salary negotiations. The District has budgeted for a 6 percent increase for all employees for 2006-07.
- The growth in the student population was projected to be 1,449 students for the 2006-07 school year. Information available during the first six weeks of school indicates that the District may be experiencing a significantly slower growth rate than originally projected. If this preliminary data remains true during the school year, then the District will need to return funding to the State. The district has set aside \$2.2 million dollars for a State Revenue/FTE shortfall; however, early data indicates that the potential to return funding may exceed this amount. It is too early in the school year to accurately predict the amount of funding that will be required to be returned to the State for the estimated student count (FTE) shortfall during the 2006-07 school year. However, the District has historically monitored the student population and reduced its expenditures in line with actual student enrollment shortfalls.
- Recent progress has been made in restoring the General Fund's reserve for ending cash. The District has a Board Policy DAA, adopted in 2005-06, which sets forth guidelines. The current year budget for 2006-07 includes 3 percent of General Fund revenues as a reserve for ending cash and a contingency reserve of 0.5 percent. These reserves amounted to \$11 million and \$1.9 million, respectively.

REQUESTS FOR INFORMATION

These financial statements are 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.

**EXHIBIT - A
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 1,683,222.41	\$ 1,388,552.00
Investments	161,672,597.30	
Accounts Receivable	525,616.75	183,865.00
Deposits Receivable	5,120.06	
Due from Other Agencies	19,328,289.67	
Inventories	2,894,868.79	
Deferred Charges	3,532,538.78	
Prepaid Items		32,146.00
Capital Assets:		
Land	67,498,989.11	
Land Improvements - Nondepreciable	30,284,480.98	
Construction in Progress	29,657,073.36	
Improvements Other Than Buildings, Net	9,760,968.87	
Buildings and Fixed Equipment, Net	522,106,508.22	191,266.00
Furniture, Fixtures, and Equipment, Net	5,833,620.18	167,460.00
Motor Vehicles, Net	19,533,677.20	
Computer Software, Net	5,142,883.48	
TOTAL ASSETS	\$ 879,460,455.16	\$ 1,963,289.00
LIABILITIES		
Salaries and Benefits Payable	\$ 2,174,428.63	\$ 102,224.00
Payroll Deductions and Withholdings	793,779.77	177,232.00
Accounts Payable	5,931,314.03	
Construction Contracts Payable	2,343,804.40	
Construction Contracts Payable - Retainage	4,005,958.05	
Due to Other Agencies	2,170,142.94	
Deposits Payable	8,155.05	
Accrued Interest on Sale of Bonds	4,443,827.39	
Deferred Revenue	452,741.23	
Long-Term Liabilities:		
Portion Due Within One Year:		
Certificates of Participation Payable	12,239,806.05	
Bonds Payable	633,399.85	
Estimated Insurance Claims Payable	8,866,000.00	
Compensated Absences Payable	12,443,609.61	
Portion Due After One Year:		
Certificates of Participation Payable	251,640,238.79	
Bonds Payable	8,557,398.33	
Estimated Insurance Claims Payable	4,334,000.00	
Compensated Absences Payable	11,311,043.91	
Total Liabilities	332,349,648.03	279,456.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	419,232,837.98	358,726.00
Restricted for:		
State Categorical Programs	617,445.19	
Debt Service	18,827,246.29	
Capital Projects	78,678,421.33	352,822.00
Other Purposes	1,088,364.73	
Unrestricted	28,666,491.61	972,285.00
Total Net Assets	547,110,807.13	1,683,833.00
TOTAL LIABILITIES AND NET ASSETS	\$ 879,460,455.16	\$ 1,963,289.00

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

**EXHIBIT - B
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 241,148,347.12	\$ 2,778,736.81	\$ 33,122,314.45	\$
Pupil Personnel Services	16,701,236.58			
Instructional Media Services	4,558,070.70			
Instruction and Curriculum Development Services	10,634,660.20			
Instructional Staff Training Services	5,779,532.50			
Instruction Related Technology	2,080,031.40			
Board of Education	1,141,856.60			
General Administration	2,215,693.80			
School Administration	24,088,337.02			
Facilities Acquisition and Construction	19,571,958.20			12,245,410.60
Fiscal Services	1,617,399.81			
Food Services	18,183,250.86	6,339,970.82	9,736,586.47	
Central Services	7,118,318.94			
Pupil Transportation Services	20,125,777.98	1,149,116.53	7,372,710.00	
Operation of Plant	29,510,938.58			
Maintenance of Plant	49,299,603.16			
Administrative Technology Services	2,390,585.44			
Community Services	77,811.91			
Interest on Long-Term Debt	10,651,934.37			1,082,838.55
Total Primary Government	\$ 466,895,345.17	\$ 10,267,824.16	\$ 50,231,610.92	\$ 13,328,249.15
Component Units				
Charter Schools	\$ 5,046,527.00	\$ 0.00	\$ 577,767.00	\$ 213,250.00

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

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2005

Net Assets - June 30, 2006

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (205,247,295.86)	\$
(16,701,236.58)	
(4,558,070.70)	
(10,634,660.20)	
(5,779,532.50)	
(2,080,031.40)	
(1,141,856.60)	
(2,215,693.80)	
(24,088,337.02)	
(7,326,547.60)	
(1,617,399.81)	
(2,106,693.57)	
(7,118,318.94)	
(11,603,951.45)	
(29,510,938.58)	
(49,299,603.16)	
(2,390,585.44)	
(77,811.91)	
<u>(9,569,095.82)</u>	
<u>(393,067,660.94)</u>	
	<u>(4,255,510.00)</u>
236,115,585.80	
118,831,872.86	
66,275,767.16	3,907,597.00
8,244,622.33	
<u>17,061,330.06</u>	
<u>446,529,178.21</u>	<u>3,907,597.00</u>
53,461,517.27	(347,913.00)
<u>493,649,289.86</u>	<u>2,031,746.00</u>
<u>\$ 547,110,807.13</u>	<u>\$ 1,683,833.00</u>

**EXHIBIT - C
COLLIER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006**

	<u>General Fund</u>	<u>Debt Service - Other Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS			
Cash	\$ 1,509,163.00	\$	\$ 1,002.41
Investments	43,005,255.43	19,362,434.87	58,067,825.57
Accounts Receivable, Net	184,645.36		200,000.00
Deposits Receivable			5,120.06
Due from Other Funds	840,544.44		585,173.34
Due from Other Agencies	1,266,863.72		17,710.14
Inventories	2,485,473.03		
TOTAL ASSETS	<u>\$ 49,291,944.98</u>	<u>\$ 19,362,434.87</u>	<u>\$ 58,876,831.52</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,839,734.14	\$	\$ 53,946.69
Payroll Deductions and Withholdings	663,465.36		27,326.75
Accounts Payable	3,680,958.90		948,704.87
Construction Contracts Payable			1,339,181.41
Construction Contracts Payable - Retainage	2,240,426.68		1,755,625.40
Due to Other Funds			
Due to Other Agencies	1,841,734.61		33,789.72
Deposits Payable	8,155.05		
Deferred Revenue	132,056.27		
Total Liabilities	<u>10,406,531.01</u>		<u>4,158,574.84</u>
Fund Balances:			
Reserved for State Categorical Programs	617,445.19		
Reserved for Encumbrances	12,656,965.00		52,820,669.71
Reserved for Inventories	484,038.94		
Reserved for Debt Service		19,362,434.87	
Unreserved, Reported in:			
General Fund	25,126,964.84		
Special Revenue Funds			
Capital Projects Funds			1,897,586.97
Total Fund Balances	<u>38,885,413.97</u>	<u>19,362,434.87</u>	<u>54,718,256.68</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49,291,944.98</u>	<u>\$ 19,362,434.87</u>	<u>\$ 58,876,831.52</u>

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

EXHIBIT - C

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$	\$	\$
12,891,311.51	11,461.21	1,521,626.62
	450,885.81	133,777,713.19
	140,918.40	525,563.76
		5,120.06
		1,425,717.78
13,503,886.96	4,539,828.85	19,328,289.67
	409,395.76	2,894,868.79
<u> </u>	<u> </u>	<u> </u>
\$ 26,395,198.47	\$ 5,552,490.03	\$ 159,478,899.87
<u> </u>	<u> </u>	<u> </u>
\$	\$	\$
	273,022.72	2,166,703.55
	100,263.93	791,056.04
33,579.38	617,181.94	5,280,425.09
	1,004,622.99	2,343,804.40
9,905.97		4,005,958.05
585,173.34	840,544.44	1,425,717.78
	252,599.82	2,128,124.15
		8,155.05
	320,684.96	452,741.23
<u> </u>	<u> </u>	<u> </u>
628,658.69	3,408,920.80	18,602,685.34
<u> </u>	<u> </u>	<u> </u>
95,544.51		712,989.70
19,265,516.65	702,823.74	85,445,975.10
	409,395.76	893,434.70
	376,100.03	19,738,534.90
		25,126,964.84
	632,053.73	632,053.73
6,405,478.62	23,195.97	8,326,261.56
<u> </u>	<u> </u>	<u> </u>
25,766,539.78	2,143,569.23	140,876,214.53
<u> </u>	<u> </u>	<u> </u>
\$ 26,395,198.47	\$ 5,552,490.03	\$ 159,478,899.87
<u> </u>	<u> </u>	<u> </u>

**EXHIBIT - D
COLLIER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances - Governmental Funds	\$	140,876,214.53
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		689,818,201.40
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.		14,153,176.35
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.		3,532,538.78
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.		(4,443,827.39)
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:		
Certificates of Participation Payable	\$	263,880,044.84
Bonds Payable		9,190,798.18
Compensated Absences Payable		23,754,653.52
		(296,825,496.54)
Total Net Assets - Governmental Activities	\$	<u>547,110,807.13</u>

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

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EXHIBIT - E
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 432,336.35	\$	\$
Federal Through State	1,347,527.30		
Federal Through Local State	70,949,032.18		
Local	<u>248,491,821.50</u>	<u>725,087.18</u>	<u>121,648,530.44</u>
Total Revenues	<u>321,220,717.33</u>	<u>725,087.18</u>	<u>121,648,530.44</u>
Expenditures			
Current - Education:			
Instruction	199,778,968.56		
Pupil Personnel Services	13,578,748.63		
Instructional Media Services	4,503,562.56		
Instruction and Curriculum Development Services	7,861,876.14		
Instructional Staff Training Services	2,276,068.84		
Instruction Related Technology	2,079,770.51		
Board of Education	1,110,269.29		
General Administration	1,535,548.26		
School Administration	22,905,992.00		
Facilities Acquisition and Construction	969,073.75		14,123,544.98
Fiscal Services	1,594,287.39		
Food Services			
Central Services	5,980,878.90		
Pupil Transportation Services	17,214,351.68		
Operation of Plant	29,413,731.82		
Maintenance of Plant	46,965,447.89		
Administrative Technology Services	2,316,338.59		
Community Services	78,075.92		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	1,156,798.12		29,574,282.03
Other Capital Outlay	10,628,452.82		
Debt Service:			
Principal		10,690,000.00	
Interest and Fiscal Charges		<u>10,572,016.08</u>	
Total Expenditures	<u>371,948,241.67</u>	<u>21,262,016.08</u>	<u>43,697,827.01</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(50,727,524.34)</u>	<u>(20,536,928.90)</u>	<u>77,950,703.43</u>
Other Financing Sources (Uses)			
Transfers In	55,781,748.80	25,003,600.00	
Refunding Bonds Issued			
Premium on Refunding Bonds Issued			
Certificates of Participation Issued		49,125.00	
Proceeds from Sale of Capital Assets	425,000.72		
Insurance Loss Recoveries	4,073,290.73		
Payment to Escrow Agent for Refunded Bonds			
Transfers Out			<u>(67,593,505.06)</u>
Total Other Financing Sources (Uses)	<u>60,280,040.25</u>	<u>25,052,725.00</u>	<u>(67,593,505.06)</u>
Net Change in Fund Balances	9,552,515.91	4,515,796.10	10,357,198.37
Fund Balances, July 1, 2005	<u>29,332,898.06</u>	<u>14,846,638.77</u>	<u>44,361,058.31</u>
Fund Balances, June 30, 2006	<u>\$ 38,885,413.97</u>	<u>\$ 19,362,434.87</u>	<u>\$ 54,718,256.68</u>

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

EXHIBIT - E

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$	\$ 3,351,618.04	\$ 3,783,954.39
	34,869,896.06	36,217,423.36
	2,126,449.68	2,126,449.68
2,538,701.57	6,413,424.30	79,901,158.05
<u>11,777,301.31</u>	<u>8,854,601.19</u>	<u>391,497,341.62</u>
<u>14,316,002.88</u>	<u>55,615,989.27</u>	<u>513,526,327.10</u>
	20,138,864.66	219,917,833.22
	3,042,742.37	16,621,491.00
	20,590.70	4,524,153.26
	2,633,051.45	10,494,927.59
	3,436,856.17	5,712,925.01
	9,850.23	2,089,620.74
		1,110,269.29
	651,556.61	2,187,104.87
	93,662.47	22,999,654.47
3,260,382.59	1,218,934.88	19,571,936.20
		1,594,287.39
	17,921,162.99	17,921,162.99
	652,307.35	6,633,186.25
	1,796,761.91	19,011,113.59
	136,958.16	29,550,689.98
	1,098.20	46,966,546.09
	45,813.08	2,362,151.67
		78,075.92
10,355,252.06	2,760,957.52	43,847,289.73
	225,401.52	10,853,854.34
	600,000.00	11,290,000.00
	<u>265,100.70</u>	<u>10,837,116.78</u>
<u>13,615,634.65</u>	<u>55,651,670.97</u>	<u>506,175,390.38</u>
<u>700,368.23</u>	<u>(35,681.70)</u>	<u>7,350,936.72</u>
		80,785,348.80
	2,870,000.00	2,870,000.00
	279,365.19	279,365.19
4,142,875.00		4,192,000.00
2,466,100.00		2,891,100.72
31,368.74	15,080.03	4,119,739.50
	(3,138,567.01)	(3,138,567.01)
<u>(11,376,158.10)</u>	<u>(1,815,685.64)</u>	<u>(80,785,348.80)</u>
<u>(4,735,814.36)</u>	<u>(1,789,807.43)</u>	<u>11,213,638.40</u>
(4,035,446.13)	(1,825,489.13)	18,564,575.12
<u>29,801,985.91</u>	<u>3,969,058.36</u>	<u>122,311,639.41</u>
<u>\$ 25,766,539.78</u>	<u>\$ 2,143,569.23</u>	<u>\$ 140,876,214.53</u>

**EXHIBIT - F
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, 2006**

Net Change in Fund Balances - Governmental Funds \$ 18,564,575.12

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 26,365,024.20

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 by which repayments exceeded proceeds in the current period. 7,508,000.00

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. 221,029.77

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. (196,645.56)

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. (1,488,202.84)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (296,565.06)

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. 2,784,301.64

Change in Net Assets - Governmental Activities \$ 53,461,517.27

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

**EXHIBIT - G
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2006**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 161,595.79
Investments	27,894,884.11
Accounts Receivable, Net	52.99
TOTAL ASSETS	\$ 28,056,532.89
LIABILITIES	
Current Liabilities:	
Salaries and Benefits Payable	\$ 7,725.08
Payroll Deductions and Withholdings Payable	2,723.73
Accounts Payable	650,888.94
Due to Other Agencies	42,018.79
Estimated Insurance Claims Payable	8,866,000.00
Total Current Liabilities	9,569,356.54
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	4,334,000.00
Total Liabilities	13,903,356.54
NET ASSETS	
Unrestricted	14,153,176.35
TOTAL LIABILITIES AND NET ASSETS	\$ 28,056,532.89

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

**EXHIBIT - H
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 42,447,542.45
OPERATING EXPENSES	
Salaries	273,774.85
Employee Benefits	96,291.23
Purchased Services	3,670,760.63
Materials and Supplies	27,244.39
Capital Outlay	9,266.92
Insurance Claims	36,633,800.75
Total Operating Expenses	40,711,138.77
Operating Income	1,736,403.68
NONOPERATING REVENUES	
Interest	1,047,897.96
Change in Net Assets	2,784,301.64
Total Net Assets, July 1, 2005	11,368,874.71
Total Net Assets, June 30, 2006	\$ 14,153,176.35

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

**EXHIBIT - I
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Premiums	\$	42,447,489.46
Cash Payments to Suppliers for Goods and Services		(3,483,120.32)
Cash Payments to Employees for Services		(367,255.08)
Cash Payment for Insurance Claims		(35,435,800.75)
		(35,435,800.75)
Net Cash Provided by Operating Activities		3,161,313.31
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		174,928.30
Purchase of Investments		(4,947,226.87)
Interest Income		1,047,897.96
		1,047,897.96
Net Cash Used by Investing Activities		(3,724,400.61)
Net Decrease in Cash and Cash Equivalents		(563,087.30)
Cash and Cash Equivalents, Beginning		724,683.09
Cash and Cash Equivalents, Ending	\$	161,595.79

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

Operating Income	\$	1,736,403.68
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(52.99)
Increase in Accounts Payable		220,808.09
Increase in Salaries and Benefits Payable		2,241.19
Increase in Payroll Tax Liabilities		569.81
Increase in Due to Other Agencies		3,343.53
Increase in Estimated Insurance Claims Payable		1,198,000.00
		1,198,000.00
Total Adjustments		1,424,909.63
Net Cash Provided by Operating Activities	\$	3,161,313.31

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

EXHIBIT - J
COLLIER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2006

	Agency Funds
	<hr/>
ASSETS	
Cash and Cash Equivalents	<u>\$ 3,163,849.75</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 3,163,849.75</u>

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

EXHIBIT – K
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

- **Blended Component Unit.** The Collier County School Board Foundation, Inc., was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. 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 units columns in the basic financial statements, Exhibits A and B, 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 Charter Schools operate under charters approved by their sponsor, the Collier County District School Board. Audits of the Charter Schools' financial statements are conducted by independent certified public accountants and are filed in the District's administrative office.

➤ **Basis of Presentation**

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

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- 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 costs 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 capital leases.
- 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.

➤ **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.

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 1) prepaid items are generally not accrued; 2) interest on long-term debt is recognized as expenditures when due; and 3) expenditures related to claims and judgments and compensated absences are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary 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, reported as aggregate discretely presented component units, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

➤ **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 purchased rather than used for inventories accounted for in the General Fund. The costs of inventories are recorded as expenditures when used rather than purchased for food-related inventories. 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 \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	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 certificate of participation (COPS) premiums and discounts, issuance costs, and other costs resulting from debt refunding are deferred and amortized over the life of the debt. Bond and certificate of participation liabilities are reported net of the unamortized bond premium or discount and costs resulting from refundings. Bond issuance costs are reported as deferred charges.

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, and premiums on debt issuances, are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms for Kids Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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.

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The School Board adopted the 2005 tax levy on September 13, 2005. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the 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.
- 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

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool, the money market funds registered with the

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Securities and Exchange Commission, interest-bearing time deposits or savings accounts, and direct obligations of the U.S. Treasury.

Investments with a fair value of \$161,296,497.28 at June 30, 2006, are in the State Board of Administration investment pool with an average maturity of 27 days. The District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.

In addition, the District reports investments totaling \$376,100.02 at June 30, 2006, in the State Board of Administration Debt Service Accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 55,831,018.25	\$ 12,530,370.86	\$ 862,400.00	\$ 67,498,989.11
Land Improvements - Nondepreciable	30,031,973.82	252,507.16		30,284,480.98
Construction in Progress	52,165,723.06	21,075,254.98	43,583,904.68	29,657,073.36
Total Capital Assets Not Being Depreciated	<u>138,028,715.13</u>	<u>33,858,133.00</u>	<u>44,446,304.68</u>	<u>127,440,543.45</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	8,286,824.62	2,992,162.29		11,278,986.91
Buildings and Fixed Equipment	676,303,273.15	43,435,768.15	747,504.37	718,991,536.93
Furniture, Fixtures, and Equipment	18,626,491.58	1,772,976.70	1,114,159.28	19,285,309.00
Motor Vehicles	25,578,102.20	8,353,555.54	3,638,827.58	30,292,830.16
Computer Software	4,371,828.16	4,189,901.83	134,816.20	8,426,913.79
Total Capital Assets Being Depreciated	<u>733,166,519.71</u>	<u>60,744,364.51</u>	<u>5,635,307.43</u>	<u>788,275,576.79</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	952,547.51	565,470.53		1,518,018.04
Buildings and Fixed Equipment	179,350,727.36	18,024,112.44	489,811.09	196,885,028.71
Furniture, Fixtures, and Equipment	12,013,761.74	2,430,045.76	992,118.68	13,451,688.82
Motor Vehicles	11,501,286.53	2,682,400.05	3,424,533.62	10,759,152.96
Computer Software	2,435,531.66	951,539.85	103,041.20	3,284,030.31
Total Accumulated Depreciation	<u>206,253,854.80</u>	<u>24,653,568.63</u>	<u>5,009,504.59</u>	<u>225,897,918.84</u>
Total Capital Assets Being Depreciated, Net	<u>526,912,664.91</u>	<u>36,090,795.88</u>	<u>625,802.84</u>	<u>562,377,657.95</u>
Governmental Activities Capital Assets, Net	<u>\$ 664,941,380.04</u>	<u>\$ 69,948,928.88</u>	<u>\$ 45,072,107.52</u>	<u>\$ 689,818,201.40</u>

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$14,797,194.70
Pupil Personnel Services	16,998.50
Instructional Media Services	28,933.50
Instruction and Curriculum Development Services	139,372.90
Instructional Staff Training Services	47,847.73
Board of Education	28,855.65
General Administration	32,919.60
School Administration	129,623.36
Facilities Acquisition and Construction	7,778,996.25
Fiscal Services	27,557.61
Food Services	115,581.79
Central Services	372,253.32
Pupil Transportation Services	1,005,808.27
Operation of Plant	4,240.57
Maintenance of Plant	124,121.96
Administrative Technology Services	3,262.92
	<hr/>
Total Depreciation Expense - Governmental Activities	<u><u>\$24,653,568.63</u></u>

5. CERTIFICATES OF PARTICIPATION

The District entered into financing arrangements in 1992, 1993, 1995, 2001, 2002, and 2005, which arrangements are characterized as lease-purchase agreements, with the Collier County School Board Foundation, Inc. (Foundation), whereby the District secured financing to current or advance-refund various Certificates of Participation (COPS) issued on behalf of the District by the Foundation and to pay the costs of acquiring, constructing, and equipping certain educational facilities. The financing was accomplished through the issuance of various series of COPS by the Foundation. The COPS not refunded are to be repaid from rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District property to the Foundation with a rental fee of \$10 per year. By master lease-purchase agreement, the properties covered by the ground leases 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 master lease-purchase agreement and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement, together with improvements thereon, to the Foundation or its assignees.

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The District properties included in the ground lease 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 Elementary School, North Naples Middle School, Palmetto Ridge High School, and Golden Gate High School.

The Series 1995 COPS include serial and term certificates maturing in 2012 and 2013. The lease payments on the Series 1995 COPS are payable by the District, semiannually, on June 30 and January 15 at interest rates ranging from 5.25 to 6.0 percent. The Series 2001A COPS include serial certificates maturing from 2007 through 2012. The Series 2001B COPS include serial certificates maturing from 2007 through 2013. The lease payments on the Series 2001A and 2001B COPS are payable by the District, semiannually, on August 15 and February 15 at interest rates ranging from 3.5 to 5.5 percent. The Series 2002 COPS include serial certificates maturing from 2007 through 2022. The lease payments on the Series 2002 COPS are payable by the District, semiannually, on August 15 and February 15 at interest rates ranging from 3 to 5.375 percent. The Series 2002A COPS include serial certificates maturing from 2007 through 2012. The lease payments on the Series 2002A COPS are payable by the District, semiannually, on August 15 and February 15 at interest rates ranging from 3 to 5 percent. The Series 2005 COPS include serial certificates maturing from 2007 through 2016. The lease payments on the Series 2005 COPS are payable by the District, semiannually, on February 15 and August 15 at interest rates ranging from 2.25 to 5 percent. The Series 2005A COPS include serial certificates maturing from 2017 through 2022. The lease payments on the Series 2005A COPS are payable by the District, semiannually, on February 15 and August 15 at an interest rate of 5.25 percent.

During the 2005-06 fiscal year, the Foundation issued COPS, Series 2005-QZAB, under a special program whereby the certificates, bearing an original issue date of November 18, 2005, will mature in full on November 18, 2021, for an original issue amount of \$4,192,000. There is no interest cost for borrowing moneys under this program. The financing proceeds were used to acquire technology-related equipment and improvements at several designated schools, which are leased by the District from the Foundation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$523,907.00 for 5 consecutive years begin on November 18, 2005. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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 Series 2005-QZAB certificates are secured by the assets held under the trust agreement in the event of cancellation or default.

The schools designated for technology-related equipment and improvements under the Series 2005-QZAB certificates include: Highlands Elementary School, Lake Trafford Elementary School, Pinecrest Elementary School, Village Oaks Elementary School, Immokalee Middle School, and Immokalee High School.

The following is a combined schedule by years of future minimum lease payments for the Series 1995, 2001A, 2001B, 2002, 2002A, 2005, 2005A, and 2005-QZAB COPS 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>
2007	\$ 23,603,698.30	\$ 11,588,907.00	\$ 12,014,791.30
2008	23,603,648.30	11,988,907.00	11,614,741.30
2009	23,603,269.56	12,398,907.00	11,204,362.56
2010	23,604,432.06	12,868,907.00	10,735,525.06
2011	25,179,937.06	15,021,372.00	10,158,565.06
2012-2016	116,234,063.96	75,290,000.00	40,944,063.96
2017-2021	115,246,697.64	94,640,000.00	20,606,697.64
2022	<u>21,752,867.50</u>	<u>20,685,000.00</u>	<u>1,067,867.50</u>
 Total Minimum Lease Payments	 \$ 372,828,614.38	 \$ 254,482,000.00	 \$ 118,346,614.38
Plus: Unamortized Premium	21,866,856.98	21,866,856.98	
Less: Unamortized Costs on Refunding	<u>(12,468,812.14)</u>	<u>(12,468,812.14)</u>	
 Total Certificates of Participation	 <u>\$ 382,226,659.22</u>	 <u>\$ 263,880,044.84</u>	 <u>\$ 118,346,614.38</u>

6. BONDS PAYABLE

Bonds payable at June 30, 2006, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1997A	\$ 395,000.00	6.0	2007
Series 1998A	465,000.00	4.5	2008
Series 2005A	5,315,000.00	4.0 - 5.0	2017
Series 2005B, Refunding	<u>2,855,000.00</u>	5.0	2018
 Total Bonds Payable	 <u>\$ 9,030,000.00</u>		

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
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June 30, 2006

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, 2006, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2007	\$ 1,073,125.00	\$ 620,000.00	\$ 453,125.00
2008	1,074,300.00	655,000.00	419,300.00
2009	1,057,750.00	670,000.00	387,750.00
2010	1,064,250.00	710,000.00	354,250.00
2011	1,063,750.00	745,000.00	318,750.00
2012-2016	5,332,000.00	4,335,000.00	997,000.00
2017-2018	<u>1,376,750.00</u>	<u>1,295,000.00</u>	<u>81,750.00</u>
Total Minimum Bond Payments	\$ 12,041,925.00	\$ 9,030,000.00	\$ 3,011,925.00
Plus: Unamortized Premium	279,365.19	279,365.19	
Less: Unamortized Costs on Refunding	<u>(118,567.01)</u>	<u>(118,567.01)</u>	
Total State School Bonds	<u>\$ 12,202,723.18</u>	<u>\$ 9,190,798.18</u>	<u>\$ 3,011,925.00</u>

7. DEFEASED DEBT

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2005B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance-refund callable portions of the District's State School Bonds, Series 1998A. The Refunding Bonds are being issued to advance-refund the \$3,020,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009. The District's pro rata share of net proceeds totaling \$3,138,567.01 (after deduction of \$10,798.18 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result, State School Bonds, Series 1998A, totaling \$3,020,000, are considered to be in-substance defeased, and the liability for these bonds has been removed from the government-wide financial statements.

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
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June 30, 2006

The Series 2005B bonds were issued to reduce the total debt service payments over the next 13 years by approximately \$252,675 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$170,391.

In prior years, portions of the State School Bonds, Series 1997A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds, Series 2005A, in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2006, State School Bonds, Series 1997A, totaling \$5,575,000 outstanding are considered defeased in substance.

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 260,980,000.00	\$ 4,192,000.00	\$ 10,690,000.00	\$ 254,482,000.00	\$ 11,588,907.00
Unamortized Premiums	23,542,990.98		1,676,134.00	21,866,856.98	1,676,137.05
Less: Unamortized Costs on Refundings	<u>(13,494,050.48)</u>		<u>(1,025,238.34)</u>	<u>(12,468,812.14)</u>	<u>(1,025,238.00)</u>
Certificates of Participation Payable, Net	<u>271,028,940.50</u>	<u>4,192,000.00</u>	<u>11,340,895.66</u>	<u>263,880,044.84</u>	<u>12,239,806.05</u>
Bonds Payable	10,040,000.00	2,870,000.00	3,880,000.00	9,030,000.00	620,000.00
Unamortized Premiums		279,365.19		279,365.19	23,280.43
Less: Unamortized Costs on Refundings		<u>(118,567.01)</u>		<u>(118,567.01)</u>	<u>(9,880.58)</u>
Bonds Payable, Net	<u>10,040,000.00</u>	<u>3,030,798.18</u>	<u>3,880,000.00</u>	<u>9,190,798.18</u>	<u>633,399.85</u>
Estimated Insurance Claims Payable	3,668,000.00	46,045,478.19	36,513,478.19	13,200,000.00	8,866,000.00
Compensated Absences Payable	<u>23,458,088.46</u>	<u>12,740,174.67</u>	<u>12,443,609.61</u>	<u>23,754,653.52</u>	<u>12,443,609.61</u>
Total Governmental Activities	<u>\$ 308,195,028.96</u>	<u>\$ 66,008,451.04</u>	<u>\$ 64,177,983.46</u>	<u>\$ 310,025,496.54</u>	<u>\$ 34,182,815.51</u>

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
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9. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

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 Funds:		
General	\$ 840,544.44	\$
Capital Projects:		
Local Capital Improvement	585,173.34	
Other		585,173.34
Nonmajor Governmental Funds		840,544.44
Total	\$ 1,425,717.78	\$ 1,425,717.78

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 and for Classrooms for Kids projects not yet reimbursed by the State. These expenditures were paid from the Capital Projects - Local Capital Improvement Fund. These interfund payables will be repaid within twelve months.

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
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Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 55,781,748.80	\$
Debt Service:		
Other	25,003,600.00	
Capital Projects:		
Local Capital Improvement		67,593,505.06
Other		11,376,158.10
Nonmajor Governmental Funds		1,815,685.64
Total	<u>\$ 80,785,348.80</u>	<u>\$ 80,785,348.80</u>

Transfers to the General Fund were to finance repairs and maintenance projects 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 costs.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2005-06 fiscal year:

Source	Amount
Categorical Educational Programs:	
Class Size Reduction - Operational	\$ 25,823,741.00
Transportation	7,372,710.00
Discretionary Lottery Funds	2,219,677.00
Other	10,276,645.64
Florida Education Finance Program	17,210,104.00
Workforce Development Program	7,157,009.00
Gross Receipts Tax (Public Education Capital Outlay)	4,260,900.00
Classrooms for Kids	2,218,934.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,856,074.17
Racing Commission Funds	446,500.00
Food Service Supplements	307,258.00
Charter School Capital Outlay	224,681.00
Boys and Girls Club Mentoring Project Grant	160,000.00
Mobile Home License Tax	111,368.29
Miscellaneous	255,555.95
Total	<u>\$ 79,901,158.05</u>

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	3.388	\$ 208,325,780.70
Basic Discretionary Local Effort	0.510	31,313,128.31
Supplemental Discretionary Local Effort	0.075	4,609,546.81
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	123,027,214.76
Total	5.973	\$ 367,275,670.58

13. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS.

Benefits in the Plan vest at six years of service. All 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, but imposes a penalty 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.

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2005-06 fiscal year, contribution rates were as follows:

Class or Plan	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$14,326,267.00, \$15,635,872.16, and \$17,790,475.58, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 12 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$106,424.75.

Pension Reporting. The financial statements and other supplemental 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 supplemental information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

14. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Big Cypress Elementary School Additions and Renovations:			
Architect	\$ 418,000.00	\$ 321,144.98	\$ 96,855.02
Contractor	9,913,150.45	2,122,766.11	7,790,384.34
Elementary School "I" New Construction:			
Architect	579,950.00	429,998.29	149,951.71
Contractor	18,722,154.79	5,959,109.75	12,763,045.04
Golden Gate Elementary School HVAC Replacement:			
Architect	159,900.00	7,995.00	151,905.00
Contractor	3,775,790.00	511,038.80	3,264,751.20
Golden Terrace Elementary School HVAC Upgrades:			
Architect	297,905.00	278,779.50	19,125.50
Contractor	4,517,284.12	3,804,058.30	713,225.82
Immokalee Middle School HVAC Renovations:			
Architect	281,133.00	268,482.02	12,650.98
Contractor	4,131,084.25	3,384,582.62	746,501.63
Lely Elementary School HVAC Renovations:			
Architect	350,898.00	329,844.12	21,053.88
Contractor	6,236,197.09	5,627,172.93	609,024.16
Lely High School Reroofing:			
Architect	110,600.00	70,090.00	40,510.00
Contractor	1,900,000.00		1,900,000.00
Manatee Elementary and Middle Schools HVAC Retrofit/Renovations:			
Architect	402,650.00	364,901.55	37,748.45
Contractor	6,095,388.53	4,554,651.45	1,540,737.08
Marco Island Charter Middle School New Construction:			
Architect	520,000.00	396,226.50	123,773.50
Contractor	17,707,477.00	3,048,689.84	14,658,787.16
Middle School "EE" New Construction:			
Architect	1,618,800.00	859,218.25	759,581.75
Contractor	40,000.00		40,000.00
Naples High School HVAC Renovations:			
Architect	164,800.00	123,484.31	41,315.69
Contractor	4,987,077.98	440,265.70	4,546,812.28
Oakridge Middle School HVAC Renovations:			
Architect	315,388.00	301,195.54	14,192.46
Contractor	4,234,095.70	3,377,686.76	856,408.94
Seagate Elementary School Additions and Renovations:			
Architect	406,000.00	319,791.30	86,208.70
Contractor	8,663,084.24	2,807,474.85	5,855,609.39
Vineyards Elementary School Roof Replacement:			
Architect	91,596.00	85,184.28	6,411.72
Contractor	1,890,104.20	1,354,072.54	536,031.66
Lorenzo Walker Technical Institute HVAC and Roof Replacements:			
Architect	151,900.00	18,497.50	133,402.50
Contractor	1,104,826.00		1,104,826.00
Districtwide Athletic Improvements:			
Architect	422,000.00	295,400.00	126,600.00
Contractor	5,401,951.77	346,448.39	5,055,503.38
Districtwide Installation of Portable Classrooms:			
Contractor	4,400,000.00	3,366,506.16	1,033,493.84
Total	\$ 110,011,186.12	\$ 45,174,757.34	\$ 64,836,428.78

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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 \$13,200,000 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, 2006.

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

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Fiscal Year	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-05	\$ 9,271,000.00	\$ 37,959,408.00	\$ (35,228,408.00)	\$ 12,002,000.00
2005-06	12,002,000.00	36,633,800.75	(35,435,800.75)	13,200,000.00

Other required insurance coverage, such as automobile liability and general liability, are 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.

16. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2005-06 fiscal year:

	Total	Group Health Insurance	Workers' Compensation Insurance	Employee Benefits Plan
Total Assets	\$ 28,056,532.89	\$ 18,938,052.72	\$ 8,695,400.36	\$ 423,079.81
Liabilities and Net Assets:				
Accounts Payable	\$ 650,888.94	\$ 541,881.17	\$ 109,007.77	\$
Salaries and Wages Payable	7,725.08	2,562.82	3,880.88	1,281.38
Payroll Deductions and Withholdings Payable	2,723.73	876.60	1,408.82	438.31
Due to Other Agencies	42,018.79	25,484.85	9,186.05	7,347.89
Estimated Insurance Claims Payable	13,200,000.00	5,162,000.00	8,038,000.00	
Unrestricted Net Assets	14,153,176.35	13,205,247.28	533,916.84	414,012.23
Total Liabilities and Net Assets	\$ 28,056,532.89	\$ 18,938,052.72	\$ 8,695,400.36	\$ 423,079.81
Revenues:				
Premium Contributions	\$ 36,752,209.70	\$ 29,764,169.05	\$ 6,350,326.53	\$ 637,714.12
Paid by Employees	4,192,750.67	3,337,058.85		855,691.82
Paid by Retirees	1,502,582.08	1,498,706.20		3,875.88
Interest Income	1,047,897.96	732,605.88	302,240.47	13,051.61
Total Revenues	43,495,440.41	35,332,539.98	6,652,567.00	1,510,333.43
Total Expenses	(40,711,138.77)	(35,061,366.47)	(4,112,310.51)	(1,537,461.79)
Change in Net Assets	\$ 2,784,301.64	\$ 271,173.51	\$ 2,540,256.49	\$ (27,128.36)

EXHIBIT - K (Continued)
COLLIER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

17. SUBSEQUENT EVENTS

On August 4, 2006, the District issued Certificates of Participation, Series 2006, totaling \$221,470,000 for the purpose of building new schools and classroom additions at existing schools. The Certificates mature on February 15, 2026, and carry an interest cost ranging from 3.75 to 5.00 percent.

EXHIBIT - L
COLLIER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 430,000.00	\$ 432,336.35	\$ 432,336.35	\$
Federal Through State	1,000,000.00	1,347,527.30	1,347,527.30	
State	76,377,269.81	70,872,722.92	70,949,032.18	76,309.26
Local	240,588,188.57	248,900,732.02	248,491,821.50	(408,910.52)
Total Revenues	318,395,458.38	321,553,318.59	321,220,717.33	(332,601.26)
Expenditures				
Current - Education:				
Instruction	215,140,677.13	203,394,769.31	199,778,968.56	3,615,800.75
Pupil Personnel Services	13,844,105.66	13,775,108.38	13,578,748.63	196,359.75
Instructional Media Services	4,634,112.48	4,556,252.27	4,503,562.56	52,689.71
Instruction and Curriculum Development Services	8,543,651.88	7,955,184.67	7,861,876.14	93,308.53
Instructional Staff Training Services	2,402,714.31	2,851,556.51	2,276,068.84	575,487.67
Instructional Related Technology	1,921,020.01	2,082,982.21	2,079,770.51	3,211.70
Board of Education	1,611,877.13	1,504,853.37	1,110,269.29	394,584.08
General Administration	1,597,457.45	1,588,103.63	1,535,548.26	52,555.37
School Administration	25,055,122.50	23,298,634.34	22,905,992.00	392,642.34
Facilities Acquisition and Construction	3,707,605.73	1,130,849.59	969,073.75	161,775.84
Fiscal Services	1,814,408.29	1,692,109.18	1,594,287.39	97,821.79
Central Services	6,392,108.19	6,771,793.86	5,980,878.90	790,914.96
Pupil Transportation Services	16,845,714.00	18,247,337.30	17,214,351.68	1,032,985.62
Operation of Plant	29,331,821.54	30,135,588.56	29,413,731.82	721,856.74
Maintenance of Plant	78,251,725.01	60,359,839.99	46,965,447.89	13,394,392.10
Administrative Technology Services	2,432,534.50	2,355,842.75	2,316,338.59	39,504.16
Community Services	73,074.33	78,175.92	78,075.92	100.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction		1,156,798.12	1,156,798.12	
Other Capital Outlay		10,628,452.82	10,628,452.82	
Total Expenditures	413,599,730.14	393,564,232.78	371,948,241.67	21,615,991.11
Excess (Deficiency) of Revenues Over Expenditures	(95,204,271.76)	(72,010,914.19)	(50,727,524.34)	21,283,389.85
Other Financing Sources				
Transfers In	78,754,964.00	55,781,748.80	55,781,748.80	
Proceeds from Sale of Capital Assets	100,000.00	425,000.72	425,000.72	
Insurance Loss Recoveries	703,000.00	6,678,362.38	4,073,290.73	(2,605,071.65)
Total Other Financing Sources	79,557,964.00	62,885,111.90	60,280,040.25	(2,605,071.65)
Net Change in Fund Balances	(15,646,307.76)	(9,125,802.29)	9,552,515.91	18,678,318.20
Fund Balances, July 1, 2005	29,332,898.06	29,332,898.06	29,332,898.06	
Fund Balances, June 30, 2006	\$ 13,686,590.30	\$ 20,207,095.77	\$ 38,885,413.97	\$ 18,678,318.20

FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
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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, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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

Respectfully submitted,



William O. Monroe, CPA
November 17, 2006



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2006. The District's major Federal programs are identified in the ***SUMMARY OF AUDIT RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

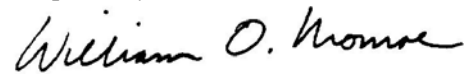
Internal Control Over Compliance

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

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

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

Respectfully submitted,



William O. Monroe, CPA
November 17, 2006

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550 (2)	None	\$ 820,616.04
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	2,188,515.77
National School Lunch Program	10.555	300	6,496,077.00
Total Child Nutrition Cluster			<u>8,684,592.77</u>
Total United States Department of Agriculture			<u>9,505,208.81</u>
United States Department of Labor:			
Indirect:			
Southwest Florida Workforce Development Board:			
WIA Youth Activities	17.259	None	14,089.15
Florida Department of Education:			
National Farmworker Jobs Program	17.264	None	263,573.11
Total United States Department of Labor			<u>277,662.26</u>
National Aeronautics and Space Administration:			
Indirect:			
National Science Teachers Association:			
Aerospace Education Services Program	43.001	None	10,115.00
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	7,500.00
Federal Pell Grant Program	84.063	N/A	347,954.49
Total Student Financial Assistance Cluster			355,454.49
Indian Education - Grants to Local Educational Agencies	84.060	N/A	7,490.42
Fund for the Improvement of Education	84.215	N/A	99,224.95
Bilingual Education - Comprehensive School Grants	84.290	N/A	25,644.96
Arts in Education	84.351	N/A	164,590.46
Total Direct			652,405.28
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	8,153,079.77
Special Education - Preschool Grants	84.173	267	265,174.65
Total Special Education Cluster			8,418,254.42
Adult Education - State Grant Program	84.002	191	303,029.61
Title I Grants to Local Educational Agencies	84.010	212	7,327,390.83
Migrant Education - State Grant Program	84.011	217	3,583,180.01
Vocational Education - Basic Grants to States	84.048	151	461,581.92
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	None	62,102.95
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	203,275.27
Education for Homeless Children and Youth	84.196	127	64,136.19
Even Start - State Educational Agencies	84.213	219	210,468.86
Twenty-First Century Community Learning Centers	84.287	244	456,080.29
State Grants for Innovative Programs	84.298	113	194,801.66
Education Technology State Grants	84.318	121	281,814.41
Voluntary Public School Choice	84.361	299	61,207.15
English Language Acquisition Grants	84.365	102	1,516,236.39
Improving Teacher Quality State Grants	84.367	224	1,701,757.84
Hurricane Education Recovery	84.938	None	120,643.13
Southwest Florida Workforce Development Board:			
Twenty-First Century Community Learning Centers	84.287	None	737,588.85
Lee County District School Board:			
Reading First State Grants	84.357	None	1,348,872.85
Washington County District School Board:			
Reading First State Grants	84.357	None	19,369.35
Total Indirect			<u>27,071,791.98</u>
Total United States Department of Education			<u>27,724,197.26</u>

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2006**

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 Health and Human Services:			
Direct:			
Head Start	93.600 (3)	N/A	\$ 2,699,212.76
Indirect:			
Florida Department of Children and Families:			
Refugee and Entrant Assistance - Discretionary Grants	93.576	None	438,502.51
Florida Department of Health:			
Preventive Health and Health Services Block Grant	93.991	None	<u>26,284.91</u>
Total Indirect			<u>464,787.42</u>
Total United States Department of Health and Human Services			<u>3,164,000.18</u>
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	<u>1,480.14</u>
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	<u>2,624,037.12</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>432,336.35</u>
Total Expenditures of Federal Awards			<u>\$ 43,739,037.12</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2005-06 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2005-06 fiscal year. Commodities are valued at fair value as determined at the time of donation.
- (3) Head Start. Expenditures include \$243.98 for grant number/program year 04CH3193/39 and \$2,698,968.78 for grant number/program year 04CH3193/40.

**COLLIER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Collier County District School Board for the fiscal year ended June 30, 2006:

- An unqualified opinion was issued on the financial statements.
- No matters involving the internal control and its operation were considered to be reportable conditions.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were disclosed.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were disclosed.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA No. 10.555)]; Student Financial Assistance Cluster [Federal Supplemental Educational Opportunity Grants (CFDA No. 84.007) and Federal Pell Grant Program (CFDA No. 84.063)]; Migrant Education – State Grant Program (CFDA No. 84.011); English Language Acquisition Grants (CFDA No. 84.365); Improving Teacher Quality State Grants (CFDA No. 84.367); and Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$1,312,171.11.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

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

*COLLIER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006*

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.		

MANAGEMENT RESPONSE



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

December 18, 2006

Honorable William O. Monroe, CPA Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

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, 2006. Pursuant to the provisions of Section 11:45 (4) (d), Florida Statutes, we respectfully submit the following statements concerning preliminary and tentative findings:

1. **Monitoring Charter Schools** The District concurs with the finding and will take action as follows:

Until current Charter School Contracts are renewed, the Charter Schools will be requested to provide the Certificates of Insurance pursuant to FS§ 1002.33(5) prior to September 1 of each year. The Certificate should denote the type and level of coverage purchased by the Charter School. This language will be placed in all future Charter School Contracts.

The original Certificate of Insurance will be received and maintained in the Student Services Office. The Student Services Office will be responsible for reviewing the Certificate with the Director of Risk Management as to whether the types and level of insurance satisfy the terms cited in the Charter School Contract. The Student Services Office will communicate with the Charter School on any necessary changes and monitor Certificate renewal dates.

2. **Architect Insurance Requirements**

The District previously established the types and minimum amounts of insurance that are required to be maintained by professional service firms. The legal advertisements used to solicit professional services require interested firms to provide proof of insurance. The minimum limits are not described in the legal advertisement, but all submittals are checked against the District standard requirements during the proposal screening process used for the selection of professional services. The District will include its insurance requirements in all future invitations to obtain professional services. In addition, the insurance requirements will be included in all new and renewed contracts.

COLLIER COUNTY CHARACTER EDUCATION TRAITS
Citizenship Cooperation Honesty Kindness Patriotism Perseverance
Respect Responsibility Self-Control Tolerance
THE COLLIER COUNTY PUBLIC SCHOOL SYSTEM IS AN EQUAL ACCESS / EQUAL OPPORTUNITY INSTITUTION FOR EDUCATION AND EMPLOYMENT.

MANAGEMENT RESPONSE (CONTINUED)

Honorable William O. Monroe, CPA
December 18, 2006
Page 2

3. Workforce Education Postsecondary Student Fees

We concur with your finding. The District has already taken the following corrective actions relating to the Workforce Education finding:

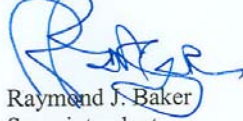
- An itemized analysis of lab and other fees will be available, and in place, for implementation prior to the end of the 2006 - 2007 school year to assure assessments do not exceed the cost of providing such services.
- The hourly fee schedule for the 2006 - 2007 school year was approved by the Board on July 20, 2006.
- The cost calculation for fees was corrected prior to the start of the 2006 - 2007 school year.
- School staff has established a separate revenue account for capital improvement fees, effective with the 2006 - 2007 school year.

4. Fingerprinting and Background Checks

The District concurs with the recommendation. The District is now in compliance with the established Florida Department of Education goals relative to fingerprinting and background checks.

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,



Raymond J. Baker
Superintendent