

**DISTRICT SCHOOL BOARD OF
COLLIER COUNTY, FLORIDA**

**Financial Statements
for the year ended
June 30, 2008**

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FINANCIAL SECTION



Report of Independent Auditors

The Honorable Members of the School Board
District School Board of Collier County
Naples, Florida

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 District School Board of Collier County, Florida (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District School Board of Collier County'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, comprising 100% of the assets and liabilities of the agency fund in the accompanying financial statements. 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 opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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 of the District School Board of Collier County, Florida, as of June 30, 2008, 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 our report dated December 8, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the Budgetary Comparison Schedule on page 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on pages 58 through 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Beckett & Holland, U.C.P.

Orlando, Florida
December 8, 2008

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

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, 2008. Please read it in conjunction with the District's Financial Statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-2008 fiscal year are as follows:

- The District revenue sources from the Florida Educational Finance Program were reduced \$15.6 million between the final budget adoption in September of 2007 and the end of the fiscal year. The decrease in revenue is attributable to four primary factors. The first is due to a lower number of full-time equivalent (FTE) students than was originally projected. The second is attributable to revenue reduction associated with the State's McKay Students with Disabilities Scholarship Program. The McKay Scholarship Program is a voucher program. The third is reduced funding from the State resulting from lower than anticipated State revenue collections. The fourth factor includes retroactive prior year adjustments made by the State. The District was required to issue a refund to the State of Florida on April 25, 2008, for Florida Educational Finance Program (FEFP) revenue not earned in the amount of \$9.2 million. The remaining portion is comprised of two parts. The first part representing \$3.9 million was directly withheld by the State from revenues to be paid to the District; the second part represents \$2.5 million in revenue earmarked for the Special Teachers Are Rewarded program (STAR). The STAR program is a State merit award program, for which the State delayed funding. The administration recognized these factors in time to adjust the budget and to prepare for the required refund and revenue reductions.
- During the year the School Board reduced its contingency reserves by \$2.2 million and reserve for ending cash by \$700 thousand to offset the revenue reductions imposed by the State. As a result of these reductions and difficult economic times, the reserve levels are below the criteria established in Board Policy DAA.
- During the current period, General Fund revenues and other financing sources exceeded expenditures by \$4.4 million. This may be compared to last year's results in which General Fund expenditures exceeded revenues and other financing sources by \$3.5 million. This change between the two years was a strategy by the district to mitigate further reductions in funding for education in the upcoming fiscal year.

All repairs associated with Hurricane Wilma which made landfall in Southwest Florida on October 24, 2005 are completed. The district experienced minimal damage related to Tropical Storm Fay which made landfall on August 19, 2008. The District will request reimbursement from FEMA to the extent eligible. Tropical Storm Fay will have negligible impact on the District's finances.

NON-FINANCIAL EVENTS

The District's full time equivalent student (FTE) enrollment decreased by 419 students, or one percent during 2007-2008.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

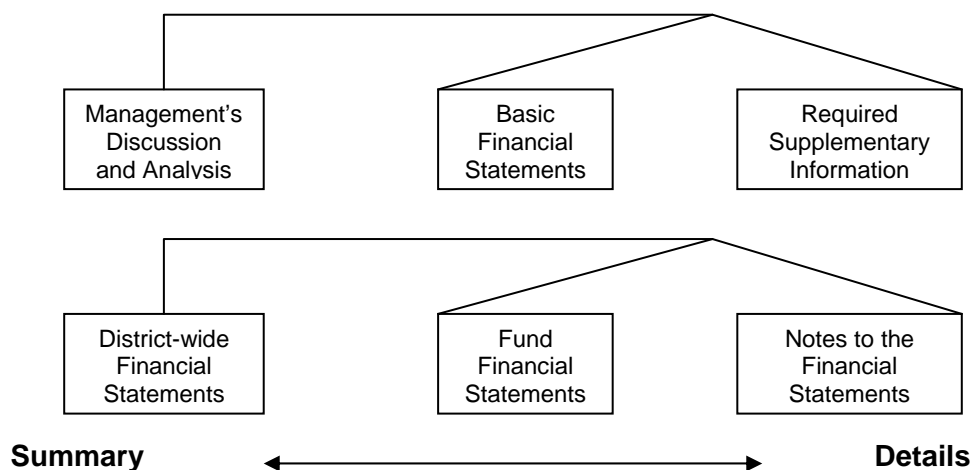
OVERVIEW OF THE FINANCIAL STATEMENTS

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



DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

District-Wide Financial Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, additional non-financial 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

- *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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The District's combined net assets increased by \$98.3 million, from \$684.8 million at June 30, 2007, to \$783.1 million at June 30, 2008.

Figure A-3

Condensed Statement of Net Assets
(in millions of dollars)

	Governmental Activities	
	June 30, 2008	June 30, 2007
Current and Other Assets	\$ 399.8	\$ 412.2
Capital Assets	1,039.0	857.6
Total Assets	1,438.8	1,269.8
Long-Term Liabilities	601.0	523.3
Other Liabilities	54.7	61.7
Total Liabilities	655.7	585.0
Net Assets:		
Invested in Capital Assets -		
Net of Debt	584.2	528.9
Restricted	159.9	125.0
Unrestricted	39.0	30.9
Total Net Assets	\$ 783.1	\$ 684.8

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008**

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	
	2007-08	2006-07
Program Revenues:		
Charges for Services	\$ 11.9	\$ 11.1
Operating Grants and Contributions	51.1	49.6
Capital Grants and Contributions	7.6	11.7
General Revenues:		
Property Taxes	424.9	411.5
State Funding	92.7	118.9
Other	26.0	36.2
Total Revenues	614.2	639.0
Functions/Program Expenses:		
Instruction	275.4	261.0
Pupil and Instructional Services	44.7	43.0
Administration and Business	42.1	37.6
Maintenance and Operations	102.0	112.8
Transportation	23.2	21.7
Other	28.5	25.2
Total Functions/Program Expenses	515.9	501.3
Increase in Net Assets	\$ 98.3	\$ 137.7

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

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 \$309.4 million. This was a decrease over the prior year by \$7.1 million. The General Fund balance increased from \$35.4 million to \$39.9 million. However, the unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$29.7 million at June 30, 2008, or 7.6 percent of General Fund expenditures as compared to \$28.4 million, or 7.4 percent at June 30, 2007. The District made a concerted effort to increase the unreserved General Fund balance in order to avoid additional budgetary reductions in the subsequent school year. Debt Service Fund balances increased \$9.7 million, Capital Projects Fund balance decreased 21.6 million and Special Revenues Fund balance increased \$0.3 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District uses a school-based and department-based management model in the operations of its individual schools and departments. This means that the school principals and department managers are given the authority to make operational decisions 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 and State funding prorations due to statewide revenue shortfalls.

The reason for the variance in State funding sources from the original budget of \$99.9 million to the actual amount of \$85.4 million is reduced funding from the State resulting from lower than anticipated State revenue collections and a lower than projected student enrollment.

Actual local revenue increased by \$1.5 million for the year when compared to the original budget. Additional local revenue collected represents increased tax collections, miscellaneous local revenues offset by decreased interest earnings.

The most significant change for the General Fund in the original appropriations budget (\$420.2 million) and the final appropriations budget (\$404.5 million) is reduced funding from the State resulting from lower than anticipated State revenue collections and a lower than projected student enrollment. The reduction in appropriations was offset by similar reductions in revenues from the Florida Educational Finance Program.

Appropriations for instruction reflect a \$10.7 million variance between the final budget and actual expenditures, of which \$6.7 million represents obligations incurred but not delivered or paid, i.e., encumbered outstanding purchase orders. In addition, \$3.6 million was carried forward on behalf of instructional programs which include the three year academic plan, restricted State categorical funds, as well as school carry forwards for the 2008-2009 school year. The remaining variance of \$.4 million is associated with unexpended funds within various programs throughout the district.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

Appropriations for maintenance of plant reflect a \$.6 million variance between the final budget and actual expenditures, of which \$.4 million represents obligations incurred but not delivered or paid, i.e., encumbered outstanding purchase orders. The remaining variance of \$.2 million is associated with unexpended funds.

General Fund budget expenditure variances for the year compare actual expenditures and final budget figures. The total variance of \$16.2 million does not take into consideration outstanding encumbrances or carry forward of unexpended funds into specific programs. These encumbrances represent obligations that are expected to be paid in the subsequent year and carried forward into the 2008-2009 school year. The encumbrances for the General Fund at year-end are \$8.3 million of which \$6.7 million is directly related to instruction, \$.4 million is related to maintenance of plant, \$.3 is related to operation of plant, \$.3 million for Facilities Acquisition and the balance of \$.6 million is attributable to other functions. Carried forward amounts for program activities amounted to \$5.4 million of which \$3.6 was for instruction, \$.9 for Instructional Support and \$.9 million for other functions in support of schools.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2008, amounts to \$1.03 billion (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, 2008, the District had total long-term debt outstanding of \$561.2 million. This amount was comprised of \$7.9 million of bonds payable and \$553.3 million of certificates of participation payable.

Additions to long-term debt included \$97.7 million in certificates of participation payable.

Retirement of long-term debt included \$670 thousand of bonds payable and \$18.5 million of certificates of participation payable.

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 is expected to experience declining student population growth in the 2008-2009 school year. This will reduce funding for the District.
- The State is continuing to experience lower collections of State Revenue. Therefore, the School District will receive reduced funding in the 2008-2009 school year.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

- The 2002 constitutional amendment to reduce class size continues to require additional district resources for new teachers and operating costs as new schools are constructed or existing schools are expanded. The State continued the school average criteria for 2008-2009 to lessen the financial burden during these difficult economic times. However, the ultimate goal for measurement on an individual classroom basis remains on the near horizon with full compliance in the year 2010-2011. The District will need to expend considerable resources to meet the criteria on an individual classroom basis.
- As of the end of August 2008, the State of Florida is anticipating a revenue shortfall of approximately \$1.5 billion in recurring revenues. The Department of Education has advised school superintendents to anticipate reductions of the total amount of Florida Education Finance Program (FEFP) funding over the next few months. The District's anticipated dollar exposure is \$7.46 million. Additionally, programs funded outside of the FEFP such as Workforce Development and Voluntary Pre-K, have been advised to anticipate a reduction in State Funding. Negotiations with the teachers' bargaining unit, clerical and support bargaining units are still pending.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Net Assets
June 30, 2008**

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 123,750,935	\$ 2,190,731
Investments	257,559,574	-
Accounts receivable, net	340,545	124,639
Deposits receivable	17,388	-
Due from other agencies	9,297,372	-
Inventory	2,988,596	-
Prepaid items and other assets	-	25,354
Deferred charges:		
Issuance costs	5,834,811	-
Capital assets:		
Land	81,853,324	-
Land Improvements - Nondepreciable	32,016,798	-
Construction in Progress	265,526,283	-
Improvements Other Than Buildings	23,048,040	-
Less Accumulated Depreciation	(2,945,940)	-
Buildings and Fixed Equipment	847,130,635	-
Less Accumulated Depreciation	(238,265,270)	-
Furniture, Fixtures and Equipment	25,594,374	694,012
Less Accumulated Depreciation	(17,017,812)	(506,251)
Motor Vehicles	31,720,838	-
Less Accumulated Depreciation	(14,978,670)	-
Computer Software	11,878,502	-
Less Accumulated Depreciation	(6,556,670)	-
Total assets	1,438,793,653	2,528,485
Liabilities		
Salaries, benefits and payroll taxes payable	1,950,275	122,961
Payroll deductions and withholdings	961,688	-
Accounts payable	6,550,587	212,954
Judgements payable	277,500	-
Construction contracts payable	14,650,884	-
Construction contracts payable - retainage percentage	18,361,406	-
Accrued interest	9,521,016	-
Due to other agencies	1,886,354	-
Deferred revenue	461,497	-
Noncurrent liabilities:		
Portion due within one year:		
Bonds Payable	684,618	-
Liability for compensated absences	14,816,281	-
Certificates of participation payable	19,467,143	-
Estimated liability for unpaid claims	7,885,000	-
Portion due after one year:		
Bonds Payable	7,201,944	-
Liability for compensated absences	11,672,630	-
Certificates of participation payable	533,872,135	-
Estimated liability for unpaid claims	4,449,000	-
Other post-employment benefits obligation	232,811	-
Estimated liability for arbitrage rebate	750,000	-
Total liabilities	655,652,769	335,915
Net assets		
Invested in capital assets, net of related debt	584,229,270	187,761
Restricted for:		
Categorical carryover programs	4,793,071	-
Debt service	38,494,971	-
Capital projects	116,560,428	398,221
Other purposes	75,946	-
Unrestricted	38,987,198	1,606,588
Total net assets	\$ 783,140,884	\$ 2,192,570

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Activities
For the Year Ended June 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Instruction	\$ 275,385,912	\$ 3,220,381	\$ 33,511,686
Pupil personnel services	19,170,584	-	-
Instructional media services	5,304,097	-	-
Instruction and curriculum development services	12,137,383	-	-
Instructional staff training services	6,506,202	-	-
Instructional related technology	1,567,363	-	-
Board	1,847,223	-	-
General administration	2,690,494	-	-
School administration	27,499,617	-	-
Facilities acquisition and construction	29,925,352	-	-
Fiscal services	1,924,816	-	-
Food services	17,410,000	7,420,912	10,213,398
Central services	8,150,945	-	-
Pupil transportation services	23,210,512	1,245,298	7,381,718
Operation of plant	38,302,626	-	-
Maintenance of plant	16,330,327	-	-
Administrative technology services	3,083,738	-	-
Community services	1,208	-	-
Interest on long-term debt	25,388,510	-	-
Total governmental activities	<u>515,836,909</u>	<u>11,886,591</u>	<u>51,106,802</u>
Total primary government	<u>\$ 515,836,909</u>	<u>\$ 11,886,591</u>	<u>\$ 51,106,802</u>
Component units:			
Component units	\$ 5,282,917	\$ -	\$ -
Total component units	<u>\$ 5,282,917</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes, levied for operational purposes
- Property taxes, levied for capital projects
- Grants and Contributions not restricted to specific programs
- Investment earnings
- Miscellaneous
- Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets		
Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$ -	\$ (238,653,845)	\$ -
-	(19,170,584)	-
-	(5,304,097)	-
-	(12,137,383)	-
-	(6,506,202)	-
-	(1,567,363)	-
-	(1,847,223)	-
-	(2,690,494)	-
-	(27,499,617)	-
6,524,384	(23,400,968)	-
-	(1,924,816)	-
-	224,310	-
-	(8,150,945)	-
-	(14,583,496)	-
-	(38,302,626)	-
-	(16,330,327)	-
-	(3,083,738)	-
-	(1,208)	-
1,060,752	(24,327,758)	-
<u>7,585,136</u>	<u>(445,258,380)</u>	<u>-</u>
<u>\$ 7,585,136</u>	<u>(445,258,380)</u>	
<u>\$ 55,468</u>		<u>(5,227,449)</u>
<u>\$ 55,468</u>		<u>(5,227,449)</u>
	266,257,456	-
	158,632,834	-
	92,678,458	5,569,779
	14,847,663	-
	11,195,613	-
	<u>543,612,024</u>	<u>5,569,779</u>
	98,353,644	342,330
	684,787,240	1,850,240
	<u>\$ 783,140,884</u>	<u>\$ 2,192,570</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Balance Sheet
Governmental Funds
June 30, 2008**

	General Fund	Other Debt Service
Assets		
Cash and cash equivalents	\$ 34,717,497	\$ 27,967,421
Investments	10,059,566	13,986,224
Accounts receivable, net	212,589	-
Deposits receivable	-	-
Due from other funds	44,721	-
Due from other agencies	615,757	-
Inventory	2,427,225	-
	\$ 48,077,355	\$ 41,953,645
Liabilities and fund balances		
Liabilities:		
Salaries, benefits and payroll taxes payable	\$ 1,549,366	\$ -
Payroll deductions and withholdings	797,198	-
Accounts payable	3,888,575	-
Judgments payable	277,500	-
Construction contracts payable	-	-
Construction contracts payable - retained percentage	-	-
Due to other agencies	1,589,116	-
Due to other funds	-	-
Deferred revenue	83,101	-
Total liabilities	8,184,856	-
Fund balances:		
Reserved for:		
Categorical carryover programs	1,237,390	-
Encumbrances	8,371,058	-
Inventory	600,342	-
Retirement of long-term debt	-	41,953,645
Unreserved:		
General fund	29,683,709	-
Special revenue	-	-
Capital projects	-	-
Total fund balances	39,892,499	41,953,645
	\$ 48,077,355	\$ 41,953,645

Capital Projects Funds			
Local Capital Improvement Tax	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 38,237,447	\$ 2,609,712	\$ 478,245	\$ 104,010,322
91,538,101	122,681,834	227,532	238,493,257
-	-	126,579	339,168
17,388	-	-	17,388
17,194,794	-	-	17,239,515
-	6,604,618	2,076,997	9,297,372
-	-	561,371	2,988,596
\$ 146,987,730	\$ 131,896,164	\$ 3,470,724	\$ 372,385,618

\$ 103,369	\$ -	\$ 289,871	\$ 1,942,606
41,923	-	119,663	958,784
677,007	995,905	292,527	5,854,014
-	-	-	277,500
3,416,166	10,978,047	256,671	14,650,884
5,072,297	13,260,590	28,519	18,361,406
50,835	-	190,567	1,830,518
-	17,194,794	1,422,428	18,617,222
-	-	378,396	461,497
9,361,597	42,429,336	2,978,642	62,954,431

-	749,186	-	1,986,576
24,774,898	65,721,323	200,305	99,067,584
-	-	561,371	1,161,713
-	-	227,532	42,181,177
-	-	-	29,683,709
-	-	(504,325)	(504,325)
112,851,235	22,996,319	7,199	135,854,753
137,626,133	89,466,828	492,082	309,431,187
\$ 146,987,730	\$ 131,896,164	\$ 3,470,724	\$ 372,385,618

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2008**

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

Ending fund balance - governmental funds	\$ 309,431,187
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	1,039,004,432
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	5,834,811
Internal service funds are used by management to charge the cost 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.	27,089,032
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(9,521,016)
Estimated arbitrage rebate is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(750,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(7,886,562)
Certificates of participation payable	(553,339,278)
Compensated absences payable	(26,488,911)
Other post-employment benefits obligation	<u>(232,811)</u>
Net assets of governmental activities	<u><u>\$ 783,140,884</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008**

	General Fund	Other Debt Service
Revenues		
Federal direct	\$ 440,126	\$ -
Federal through state	813,395	-
State sources	85,391,724	-
Local sources	<u>275,787,174</u>	<u>1,312,859</u>
Total revenues	<u>362,432,419</u>	<u>1,312,859</u>
Expenditures		
Current:		
Instruction	232,877,344	-
Pupil personnel services	15,248,538	-
Instructional media services	5,247,540	-
Instruction and curriculum development services	8,780,749	-
Instructional staff training services	2,856,556	-
Instruction related technology	1,531,485	-
Board	1,822,485	-
General administration	2,044,242	-
School administration	24,976,475	-
Facilities acquisition and construction	558,906	-
Fiscal services	1,889,119	-
Food services	-	-
Central services	7,415,465	-
Pupil transportation services	20,846,420	-
Operation of plant	38,204,604	-
Maintenance of plant	15,922,651	-
Administrative technology services	2,703,928	-
Community services	1,208	-
Capital outlay:		
Facilities acquisition and construction	1,669,546	-
Other capital outlay	3,680,946	-
Debt service:		
Principal	-	17,675,000
Interest	-	24,367,020
Dues, fees and issuance costs	-	1,070,376
Total expenditures	<u>388,278,207</u>	<u>43,112,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,845,788)</u>	<u>(41,799,537)</u>
Other financing sources (uses)		
Certificates of participation issued	-	1,039,209
Premium on certificates of participation	-	-
Proceeds from the sale of capital assets	10,984	-
Loss recoveries	798,462	-
Transfers in	29,511,944	50,500,000
Transfers out	-	(20,817)
Total other financing sources (uses)	<u>30,321,390</u>	<u>51,518,392</u>
Net change in fund balances	4,475,602	9,718,855
Fund balance - beginning	<u>35,416,897</u>	<u>32,234,790</u>
Fund balance - ending	<u>\$ 39,892,499</u>	<u>\$ 41,953,645</u>

Capital Projects Funds			
Local Capital Improvement Tax	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,515,588	\$ 4,955,714
-	-	37,212,677	38,026,072
-	8,121,574	8,565,372	102,078,670
162,680,885	15,813,027	11,681,356	467,275,301
162,680,885	23,934,601	61,974,993	612,335,757
-	-	22,318,803	255,196,147
-	-	3,585,399	18,833,937
-	-	40,197	5,287,737
-	-	3,171,003	11,951,752
-	-	3,513,558	6,370,114
-	-	41,760	1,573,245
-	-	-	1,822,485
-	-	617,176	2,661,418
-	-	199,761	25,176,236
2,124,462	6,865,209	-	9,548,577
-	-	17,472	1,906,591
-	-	17,392,206	17,392,206
-	-	321,834	7,737,299
-	-	1,652,976	22,499,396
-	-	83,296	38,287,900
-	-	20,870	15,943,521
-	-	-	2,703,928
-	-	-	1,208
52,417,023	160,730,255	9,920,978	224,737,802
-	-	338,219	4,019,165
-	-	655,000	18,330,000
-	-	419,300	24,786,320
-	-	1,700	1,072,076
54,541,485	167,595,464	64,311,508	717,839,060
108,139,400	(143,660,863)	(2,336,515)	(105,503,303)
-	95,165,791	-	96,205,000
-	1,434,209	-	1,434,209
-	-	-	10,984
-	-	-	798,462
-	20,817	-	80,032,761
(67,023,671)	(10,239,457)	(2,748,816)	(80,032,761)
(67,023,671)	86,381,360	(2,748,816)	98,448,655
41,115,729	(57,279,503)	(5,085,331)	(7,054,648)
96,510,404	146,746,331	5,577,413	316,485,835
<u>\$ 137,626,133</u>	<u>\$ 89,466,828</u>	<u>\$ 492,082</u>	<u>\$ 309,431,187</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2008**

Net change in fund balances - total governmental funds \$ (7,054,648)

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

Governmental funds report capital outlays 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 by which capital outlays exceed depreciation expense in the current period:

Capital outlays net of amounts not capitalized	\$ 214,422,339	
Depreciation expense	<u>(32,957,349)</u>	181,464,990

The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold. (81,368)

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

Amortization	364,509	
Issuance costs of new debt	1,039,209	
Premium on new debt	<u>(1,434,209)</u>	(30,491)

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. (1,383,834)

Rebatable arbitrage is recognized as an expenditure in the governmental funds when due, but is recognized when incurred in the government-wide statements. This is the amount of change in the estimated rebate liability. 450,000

The issuance of long-term liabilities (e.g. bonds, certificates of participation) provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. This is the amount by which proceeds

Debt proceeds	(96,205,000)	
Repayments	<u>18,330,000</u>	(77,875,000)

Other post-employment benefits are recognized as an expenditure in the governmental funds when paid, but are recognized when earned in the government-wide statements. (232,811)

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 year. (801,474)

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. 3,898,280

Change in net assets of governmental activities \$ 98,353,644

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Net Assets
Proprietary Funds
June 30, 2008**

	Governmental Activities Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	\$ 19,740,614
Investments	19,066,318
Accounts receivable - net	1,378
Due from other funds	1,377,707
Total current assets	<u>40,186,017</u>
Total assets	<u><u>\$ 40,186,017</u></u>
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 696,574
Salaries, benefits and payroll taxes payable	7,670
Payroll deductions and withholdings	2,904
Due to other agencies	55,837
Estimated unpaid claims	7,885,000
Total current liabilities	<u>8,647,985</u>
Noncurrent liabilities	
Estimated liability for long-term claims	<u>4,449,000</u>
Total noncurrent liabilities	<u>4,449,000</u>
Total liabilities	<u>13,096,985</u>
Net assets	
Unrestricted	<u>27,089,032</u>
Total net assets	<u>27,089,032</u>
Total liabilities and net assets	<u><u>\$ 40,186,017</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2008**

	Governmental Activities Internal Service Funds
Operating revenues	
Premium revenues	\$ 46,344,868
Total operating revenues	<u>46,344,868</u>
Operating expenses	
Salaries	299,817
Employee benefits	105,635
Purchased services	3,341,504
Materials and supplies	24,911
Capital outlay	2,734
Other expenses	39,798,706
Total operating expenses	<u>43,573,307</u>
Operating income	<u>2,771,561</u>
Nonoperating revenue	
Investment earnings	1,126,719
Total nonoperating revenue	<u>1,126,719</u>
Change in net assets	3,898,280
Total net assets - beginning	<u>23,190,752</u>
Total net assets - ending	<u>\$ 27,089,032</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008**

	Governmental Activities Internal Service Funds
<hr/>	
Operating activities	
Cash received from customers	\$ 46,768,056
Payments to suppliers	(3,021,942)
Payments to employees	(406,105)
Other payments	(41,126,925)
Net cash provided by operating activities	2,213,084
Investing activities	
Proceeds from the sale of investments	16,060,108
Interest and dividends received	1,309,935
Net cash used in investing activities	17,370,043
Net decrease in cash and cash equivalents	19,583,127
Cash and cash equivalents	
Beginning of year	157,487
End of year	\$ 19,740,614
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,771,561
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities	
Accounts receivable	(1,378)
Due from other funds	424,566
Accounts payable	347,207
Salaries, benefits and payroll taxes payable	(224)
Payroll deductions and withholdings	(429)
Due to other agencies	10,781
Estimated unpaid claims	(1,339,000)
Total adjustments	(558,477)
Net cash provided by operating activities	\$ 2,213,084

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 3,473,162
Accounts receivable	<u>3,136</u>
Total assets	<u>\$ 3,476,298</u>
Liabilities	
Internal accounts payable	<u>\$ 3,476,298</u>
Total liabilities	<u>\$ 3,476,298</u>

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 were allocated to functions based upon the specific programs or activities with which the capital assets were associated.

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

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

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 project 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except 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 are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B Surplus Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost. The District's investments in the Fund B Surplus Trust Fund are accounted for as a fluctuating net asset value pool, with a Fair Value factor of 0.923331 at June 30, 2008.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 certificates 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 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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➤ **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.

The School Board adopted the 2007 tax levy on September 11, 2007. 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

3. INVESTMENTS

As of June 30, 2008, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool		
Fund A Surplus Funds Trust Fund	20.22 Day Average	\$101,711,694
Fund B Surplus Funds Trust Fund	9.22 Years	11,032,369
State Board of Administration Debt Service Accounts	6 months	227,532
Primary Money Market-Institutional	47 Day Average	100,595,659
Money Market-U.S. Treasury Securities	19 Days	42,905,897
Master Repurchase Agreement with Bank of America (1)		1,086,423
Total Investment, Primary Government		\$ 257,559,574

Note: (1) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZAB) financing arrangement. Collateral for this agreement is held with U.S. Bank in U.S. Treasury Inflation Protection Security for \$1,662,168. See Note 5.

Interest Rate Risk

- Section 218.415 (17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District currently has a written policy that limits their investments to bank certificates of deposit, treasury bills, or any other legal investments.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act as provided by Florida Statutes, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statute, and direct obligations of the U.S. Treasury.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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- The District's investment in the State Board of Administration Debt Service Accounts is to provide for debt service payment on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- As of June 30, 2008, the District's investment in the Local Government Surplus Funds Trust Fund investment pool Fund A is rated AAAm by Standard and Poor's. The Fund B Surplus Trust Fund is unrated.
- As of June 30, 2008, the District investment in The Reserve, Primary Fund, Institutional Money Market is rated Aaa by Moody's and AAAm by Standard and Poor's.
- As of June 30, 2008, the District investment in First American Treasury Obligations Fund,-Money Market, Institutional Class Y is rated Aaa by Moody's and AAAm by Standard and Poor's.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk

- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.
- Investments at June 30, 2008 are comprised of 44 percent in State Board of Administration Investment Pools, 39 percent in a Primary Money Market Fund, 16 percent in Money Market Fund comprised of U.S.Treasury Securities and 1 percent in a Master repurchase Agreement related to a Qualified Zone Academy Bond Issuance.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below. The threshold for reporting capital assets is \$5,000.

	Balance 07/01/2007	Additions	Deletions	Balance 06/30/2008
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 74,529,249	\$ 7,327,600	\$ 3,525	\$ 81,853,324
Improvements Other Than Buildings	31,874,144	142,654	-	32,016,798
Construction In Progress	<u>185,587,159</u>	<u>138,079,265</u>	<u>58,140,141</u>	<u>265,526,283</u>
Total Capital Assets Not Being Depreciated	<u>\$ 291,990,552</u>	<u>\$ 145,549,519</u>	<u>\$ 58,143,666</u>	<u>\$ 379,396,405</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	\$ 12,083,398	\$ 10,964,642	\$ -	\$ 23,048,040
Buildings and Fixed Equipment	739,092,222	108,266,802	228,389	847,130,635
Furniture, Fixtures, and Equipment	21,110,132	5,235,326	751,084	25,594,374
Motor Vehicles	30,402,572	1,333,324	15,058	31,720,838
Computer Software	<u>10,831,900</u>	<u>1,212,866</u>	<u>166,264</u>	<u>11,878,502</u>
Total Capital Assets Being Depreciated	<u>\$ 813,520,224</u>	<u>\$ 127,012,960</u>	<u>\$ 1,160,795</u>	<u>\$ 939,372,389</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	\$ 2,108,149	\$ 837,791	\$ -	\$ 2,945,940
Buildings and Fixed Equipment	213,807,462	24,639,945	182,137	238,265,270
Furniture, Fixtures, and Equipment	15,223,467	2,521,709	727,364	17,017,812
Motor Vehicles	11,957,579	3,036,149	15,058	14,978,670
Computer Software	<u>4,793,309</u>	<u>1,921,755</u>	<u>158,394</u>	<u>6,556,670</u>
Total Accumulated Depreciation	<u>\$ 247,889,966</u>	<u>\$ 32,957,349</u>	<u>\$ 1,082,953</u>	<u>\$ 279,764,362</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 565,630,258</u>	<u>\$ 94,055,611</u>	<u>\$ 77,842</u>	<u>\$ 659,608,027</u>
Governmental Activities Capital Assets, Net	<u>\$ 857,620,810</u>	<u>\$ 239,605,130</u>	<u>\$ 58,221,508</u>	<u>\$ 1,039,004,432</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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Depreciation expense was charged to functions as follows:

FUNCTION	AMOUNT
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 14,794,456
Pupil Personnel Services	61,335
Instructional Media Services	29,111
Instruction and Curriculum Development Services	143,298
Instructional Staff Training Services	69,658
Board	26,646
General Administration	32,877
School Administration	222,809
Facilities Acquisition and Construction	16,171,402
Fiscal Services	27,526
Food Services	101,526
Central Services	388,328
Pupil Transportation Services	770,644
Operation of Plant	7,031
Maintenance of Plant	80,332
Administrative Technology Services	30,370
Total Depreciation Expense - Governmental Activities	<u>\$ 32,957,349</u>

5. CERTIFICATES OF PARTICIPATION

The District entered into financing arrangements in 1992, 1993, 1995, 2001, 2002, 2005, 2006, and 2007 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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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, Golden Gate High School, Pinecrest Elementary School, Golden Gate Middle School, Village Oaks Elementary School, Mike Davis Elementary School, Palmetto Elementary School, Parkside Elementary School, Eden Park Elementary, Marco Charter Middle, Osceola Elementary School, Elementary "L" School, Immokalee Technical Center, Naples High School Gymnasium and Lorenzo Walker Technical 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 2009 through 2012. The Series 2001B COPS include serial certificates maturing from 2009 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 2009 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 2009 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 2009 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 2009 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. The Series 2006 COPS include serial certificates maturing from 2009 through 2026. The lease payments on the Series 2006 COPS are payable by the District, semiannually, on August 15 and February 15 at interest rates ranging from 3.75 to 5 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 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 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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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.

On August 1, 2007, the District issued Certificates of Participation, Series 2007, totaling \$96,205,000 for the purpose of building new schools and additions/renovations at existing schools. The Certificates mature on February 15, 2027 and carry an interest cost ranging from 4.0 to 5.0 percent.

The following is a combined schedule by years of future minimum lease payments for the Series 1995, 2001A, 2001B, 2002, 2002A, 2005, 2005A, 2005-QZAB, COPS 2006 and COPS 2007 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>
2009	\$ 44,277,001	\$ 18,535,000	\$ 25,742,001
2010	44,339,154	19,325,000	25,014,154
2011	44,322,856	20,160,000	24,162,856
2012	44,944,228	21,600,000	23,344,228
2013	45,005,176	22,670,000	22,335,176
2014-2018	225,243,016	130,445,000	94,798,016
2019-2023	230,542,375	170,852,000	59,690,375
2024-2027	<u>152,077,400</u>	<u>136,880,000</u>	<u>15,197,400</u>
Total Minimum Lease Payments	\$ 830,751,206	\$ 540,467,000	\$ 290,284,206
Plus: Unamortized Premium	23,290,614	23,290,614	-
Less: Unamortized Costs on Refunding	<u>(10,418,336)</u>	<u>(10,418,336)</u>	<u>-</u>
Total Certificates of Participation	<u>\$ 843,623,484</u>	<u>\$ 553,339,278</u>	<u>\$ 290,284,206</u>

In prior years, the COPS Series 2002 was partially defeased in substance by placing proceeds of a new COPS series in an irrevocable Trust to provide for all future debt service payments. Accordingly, the Trust assets and the liability for insubstance defeased COPS are not included in the Districts financial statements. On June 30, 2008 a portion of the COPS Series 2002 totaling \$109,685,000 are outstanding and are considered defeased.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

6. BONDS PAYABLE

Bonds payable at June 30, 2008, 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 2005A	\$ 4,900,000	4.0 - 5.0	2017
Series 2005B, Refunding	<u>2,855,000</u>	5.0	2018
Total Bonds Payable	<u>\$ 7,755,000</u>		

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

➤ **State School Bonds**

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2009	\$ 1,057,750	\$ 670,000	\$ 387,750
2010	1,064,250	710,000	354,250
2011	1,063,750	745,000	318,750
2012	1,061,500	780,000	281,500
2013	1,062,500	820,000	242,500
2014-2018	<u>4,584,750</u>	<u>4,030,000</u>	<u>554,750</u>
Total Minimum Bond Payments	\$ 9,894,500	\$ 7,755,000	\$ 2,139,500
Plus: Unamortized Premium	228,572	228,572	-
Less: Unamortized Costs on Refunding	<u>(97,009)</u>	<u>(97,009)</u>	<u>-</u>
Total State School Bonds	<u>\$ 10,026,062</u>	<u>\$ 7,886,562</u>	<u>\$ 2,139,500</u>

7. ARBITRAGE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt debt after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt debt proceeds at an interest yield greater than the interest yield paid to debt holders. Generally, all interest paid to debt holders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financing and at June 30, 2008 expects to incur a liability of \$750,000.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

8. CHANGES IN LONG-TERM LIABILITIES

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

	Balance 07/01/2007	Additions	Deletions	Balance 06/30/2008	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 461,937,000	\$ 96,205,000	\$ 17,675,000	\$ 540,467,000	\$ 18,535,000
Unamortized Premiums	23,704,681	1,434,209	1,848,276	23,290,614	1,957,381
Less: Unamortized Costs on Refundings	(11,443,574)	-	(1,025,238)	(10,418,336)	(1,025,238)
Certificate of Participation-Payable Net	<u>\$ 474,198,107</u>	<u>\$ 97,639,209</u>	<u>\$ 18,498,038</u>	<u>\$ 553,339,278</u>	<u>\$ 19,467,143</u>
Bonds Payable	\$ 8,410,000	-	\$ 655,000	\$ 7,755,000	\$ 670,000
Unamortized Premiums	253,968	-	25,397	228,571	25,397
Less: Unamortized Costs on Fundings	(107,788)	-	(10,779)	(97,009)	(10,779)
Bonds Payable - Net	<u>\$ 8,556,180</u>	<u>\$ -</u>	<u>\$ 669,618</u>	<u>\$ 7,886,562</u>	<u>\$ 684,618</u>
Other Post Employment Benefits	-	232,811	-	232,811	-
Estimated Insurance Claims Payable	13,673,000	37,669,577	39,008,577	12,334,000	7,885,000
Compensated Absences Payable	25,687,437	15,617,755	14,816,281	26,488,911	14,816,281
Arbitrage Rebate Liability	1,200,000	-	450,000	750,000	-
Total	<u>\$ 523,314,724</u>	<u>\$ 151,159,352</u>	<u>\$ 73,442,514</u>	<u>\$ 601,031,562</u>	<u>\$ 42,853,042</u>

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

9. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

Because revenue of grants accounted for in Special Revenue Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in Special Revenue Funds total \$430,679.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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	\$ 44,721	\$ -
Capital Projects:		
Local Capital Improvement Tax	17,194,794	-
Other Capital	-	17,194,794
Nonmajor Governmental Funds		1,422,428
Internal Service Funds	<u>1,377,707</u>	<u>-</u>
Total	<u>\$ 18,617,222</u>	<u>\$ 18,617,222</u>

At year-end, the District had expenditures in its Nonmajor Governmental Funds for special revenue projects that had not yet been reimbursed by the grantor agencies. These expenditures were paid from the General Fund. Also, at year-end, the District had expenditures in its Capital Projects – Other Fund for COPS projects that had not been reimbursed by the District’s trustee bank. These expenditures were paid from the Capital Projects - Local Capital Improvement Tax. Also, the School Food Service Fund had a payable to the Internal Service Fund.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 29,511,944	\$ -
Capital Projects:		
Local Capital Improvement Tax	-	67,023,671
Other Capital Projects	20,817	10,239,457
Other Debt Service	50,500,000	20,817
Nonmajor Governmental Funds		<u>2,748,816</u>
Total	<u>\$ 80,032,761</u>	<u>\$ 80,032,761</u>

Transfers to the General Fund were to finance repairs and maintenance projects and for other operational purposes. Transfers to the Debt Service Fund were to provide moneys for scheduled debt service payments for principal, interest, & other costs.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Class Size Reduction/Capital Outlay	\$ 7,854,863
Class Size Reduction	44,680,760
Florida Education Finance Program	12,649,491
Public Education Capital Outlay PECO	6,498,197
Transportation	7,381,718
Work Force Development	7,296,228
Work Force Performance Based Incentives	182,076
Instructional Materials	4,198,014
School Recognition/Merit School	1,838,299
Voluntary Pre-K	2,073,505
Discretionary Lottery	2,183,501
C0&DS Withheld for SBE/COBI BD	1,051,535
Excellent Teaching Program	1,095,176
Florida Teachers Lead Program	784,171
C0&DS Distributed	662,766
Charter School Capital Outlay Funding	154,164
Racing Commission Funds	446,500
School Lunch Supplement	106,874
School Breakfast Supplement	154,376
Succeed Florida	269,989
Florida Student Assistance Grant	34,352
State License Tax	107,428
Fuel Tax Refunds	112,547
Boys and Girls Club Mentoring	60,519
Adult Handicapped	47,804
Interest Undistributed CO&DS	41,357
State Forest Funds	29,637
SEDNET - General Revenue	27,241
C0&DS Withheld for Administration Expenses	26,690
Miscellaneous State Revenue	19,675
SBE/COBI Bond Interest	9,217
Total	<u>\$ 102,078,670</u>

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

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12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	2.786	\$ 221,364,749
Basic Discretionary Local Effort	0.510	40,522,621
Supplemental Discretionary Local Effort	0.055	4,370,086
<hr/>		
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>158,632,834</u>
Total	<u>5.351</u>	<u>\$ 424,890,290</u>

13. FLORIDA RETIREMENT SYSTEM

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

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

The 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.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the Plan. District employees participating in the DROP are not eligible to participate in the PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.) Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in the PEORP vest after one year of service. There were 1,062 District participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$223,301.

FRS Retirement Contribution Rates – The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	10.91
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, 2006, June 30, 2007, and June 30, 2008, totaled \$17,790,475, \$24,437,853, and \$25,471,888 respectively, which were equal to the required contributions for each fiscal year.

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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14. POST EMPLOYMENT BENEFITS

Effective for the 2007-08 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care and life insurance benefits provided by the District. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$3,988,037 at the July 1, 2007, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical, prescription drug, dental, and vision coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Funding Policy. For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 158 retirees received postemployment health care benefits and 206 retirees received postemployment life benefits. The District provided required contributions of \$250,117 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$1,440,659.

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Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for Postemployment Health Care Benefits:

<u>Description</u>	<u>Life Insurance</u>	<u>Medical and Drug</u>	<u>Total</u>
Normal Cost (service cost for one year)	\$ 65,172	\$ 130,562	\$ 195,734
Amortization of Unfunded Actuarial Accrued Liability	103,495	169,832	273,327
Interest on Normal Cost and Amortization	<u>4,987</u>	<u>8,880</u>	<u>13,867</u>
Annual Required Contribution	173,654	309,274	482,928
Interest on Net OPEB Obligation	-	-	-
Adjustment to Annual Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>
Annual OPEB Cost (Expense)	173,654	309,274	482,928
Contribution Toward the OPEB Cost	<u>-</u>	<u>(250,117)</u>	<u>(250,117)</u>
Increase in Net OPEB Obligation	173,654	59,157	232,811
Net OPEB Obligation, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Obligation, End of Year	<u>\$ 173,654</u>	<u>\$ 59,157</u>	<u>232,811</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, 7/1/07	\$ -		\$ -
2007-08	\$ 482,928	51.8%	\$ 232,811

Funded Status and Funding Progress. As of June 30, 2008, the actuarial accrued liability for benefits was \$3,988,037, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,988,037. The covered payroll (annual payroll of active participating employees) was \$271,632,533 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.5 percent.

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Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's initial OPEB actuarial valuation as of July 1, 2007, used the unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2008, as well as the District's 2007-08 fiscal year annual required contribution. This method was selected because it produced the lowest OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 6 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2007-08 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 29 years.

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15. CONSTRUCTION CONTRACT COMMITMENTS

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

PROJECT	CONTRACT	COMPLETED	BALANCE
ALTERNATIVE SCHOOLS			
HVAC UPGRADE			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 354,809	\$ 48,585	\$ 306,224
AVALON ELEMENTARY			
COVERED PLAYGROUND			
CONTRACTOR (WG MILLS)	\$ 656,769	\$ 116,065	\$ 540,704
HVAC RENOVATION			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 963,646	\$ 351,989	\$ 611,657
BARRON COLLIER HIGH SCHOOL			
RE-ROOF & HVAC			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 6,072,746	\$ 3,668,905	\$ 2,403,841
ARCHITECT/ENGINEER (A/R/C ASSOCIATES)	\$ 267,955	\$ 217,260	\$ 50,695
ARCHITECT/ENGINEER (OCI ASSOCIATES)	\$ 172,000	\$ 141,040	\$ 30,960
MATERIALS TESTING SERVICES			
CONTRACTOR (RICHARD FLANDERS)	\$ 29,350	\$ -	\$ 29,350
TEST & BALANCE SERVICES			
CONTRACTOR (GFA)	\$ 42,738	\$ -	\$ 42,738
BIG CYPRESS ELEMENTARY SCHOOL			
ADDITION/RENOVATIONS			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 13,161,964	\$ 12,466,426	\$ 695,538
ARCHITECT/ENGINEER (SCHENKEL SHULTZ)	\$ 581,580	\$ 577,983	\$ 3,597
TRAFFIC CIRCULATION			
CONTRACTOR (JOHNSON ENGINEERING)	\$ 49,714	\$ -	\$ 49,714
CALUSA PARK ELEMENTARY			
CLASSROOM ADDITION			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 3,132,120	\$ 2,169,280	\$ 962,840
ARCHITECT/ENGINEER	\$ 212,118	\$ 177,072	\$ 35,046
INSPECTION SERVICES			
CONTRACTOR (U.S. LABORATORIES)	\$ 32,500	\$ 19,388	\$ 13,112
CORKSCREW ELEMENTARY			
KITCHEN FLOOR REPLACEMENT			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 214,638	\$ -	\$ 214,638

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PROJECT	CONTRACT	COMPLETED	BALANCE
CYPRESS PALM MIDDLE A/K/A MIDDLE EE			
NEW CONSTRUCTION			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 27,793,798	\$ 27,672,662	\$ 121,136
ARCHITECT (FAWLEY BRYANT ARCHITECTS)	\$ 1,662,800	\$ 1,654,176	\$ 8,624
MATERIALS TESTING SERVICES			
CONTRACTOR (UNIVERSAL ENGINEERING)	\$ 111,588	\$ 73,500	\$ 38,088
CONTRACTOR (PROFESSIONAL AIR BALANCING)	\$ 45,800	\$ 45,105	\$ 695
EDEN PARK ELEMENTARY A/K/A ELEMENTARY "K"			
NEW CONSTRUCTION			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 40,000	\$ 39,680	\$ 320
CONTRACTOR (WRIGHT CONSTRUCITON)	\$ 23,559,382	\$ 22,274,605	\$ 1,284,777
ARCHITECT/ENGINEER(HARVARD JOLLY)	\$ 689,960	\$ 664,960	\$ 25,000
INSPECTION SERVICES			
CONTRACTOR (U.S. LABORATORIES)	\$ 101,250	\$ 88,088	\$ 13,162
ELEMENTARY "L"			
NEW CONSTRUCTION			
ARCHITECT/ENGINEER (HARVARD JOLLY)	\$ 903,500	\$ 731,126	\$ 172,374
PANTHER MITIGATION			
CONTRACTOR (PANTHER ISLAND MITIGATION BANK)	\$ 428,830	\$ 128,649	\$ 300,181
EVERGLADES CITY SCHOOLS			
HVAC & EMS REPLACEMENT			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 998,607	\$ 283,993	\$ 714,614
TEST & BALANCE SERVICES			
CONTRACTOR (RICHARD FLANDERS)	\$ 29,500	\$ 7,375	\$ 22,125
GOLDEN GATE ELEMENTARY SCHOOL			
KITCHEN FLOOR REPLACEMENT			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 144,537	\$ -	\$ 144,537
GOLDEN GATE MIDDLE SCHOOL			
ADDITIONS AND RENOVATIONS			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 17,404,651	\$ 16,599,840	\$ 804,811
ARCHITECT/ENGINEER (SCHENKEL SHULTZ)	\$ 916,100	\$ 907,122	\$ 8,978
GULF COAST HIGH SCHOOL			
KITCHEN FLOOR REPLACEMENT			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 232,333	\$ -	\$ 232,333
CULINARY ARTS PROGRAM CONVERSION			
ARCHITECT/ENGINEER (SCHENKEL SHULTZ)	\$ 46,800	\$ -	\$ 46,800

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PROJECT	CONTRACT	COMPLETED	BALANCE
HIGHLANDS ELEMENTARY SCHOOL			
ADDITIONS/RENOVATIONS			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 20,909,739	\$ 20,115,963	\$ 793,776
ARCHITECT/ENGINEER (ZYSCOVICH)	\$ 1,188,428	\$ 1,100,442	\$ 87,986
INSPECTION SERVICES			
CONTRACTOR (GFA)	\$ 95,136	\$ 91,603	\$ 3,533
IMMOKALEE CAREER CENTER			
NEW CONSTRUCTION			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 24,205,981	\$ 16,253,190	\$ 7,952,791
ARCHITECT/ENGINEER (SCHENKEL SCHULTZ)	\$ 1,614,052	\$ 1,380,218	\$ 233,834
INSPECTION SERVICES			
CONTRACTOR (GFA)	\$ 148,500	\$ 118,800	\$ 29,700
MATERIALS TESTING SERVICES			
CONTRACTOR (UNIVERSAL ENGINEERING)	\$ 45,196	\$ 20,598	\$ 24,598
TEST & BALANCE SERVICES			
CONTRACTOR (PROFESSIONAL AIR BALANCING)	\$ 49,800	\$ 14,430	\$ 35,370
IMMOKALEE HIGH SCHOOL			
CHILLER REPLACEMENT			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 2,608,785	\$ 2,507,972	\$ 100,813
ADDITIONS/RENOVATIONS			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 47,100	\$ -	\$ 47,100
ARCHITECT/ENGINEER (SCHENKEL SCHULTZ)	\$ 1,697,500	\$ 144,038	\$ 1,553,462
LAKE TRAFFORD ELEMENTARY			
ADDITIONS/RENOVATIONS			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 16,804,128	\$ 14,935,777	\$ 1,868,351
ARCHITECT/ENGINEER (ZYSCOVICH, INC.)	\$ 1,139,993	\$ 1,022,681	\$ 117,312
INSPECTION SERVICES			
CONTRACTOR (GFA)	\$ 78,866	\$ 73,450	\$ 5,416
TEST & BALANCING SERVICES			
CONTRACTOR (PROFESSIONAL AIR BALANCING)	\$ 35,700	\$ 26,305	\$ 9,395
LAUREL OAK ELEMENTARY			
RE-ROOF			
CONTRACTOR (COMPLETE BUILDING MAINTENANCE)	\$ 415,900	\$ 285,190	\$ 130,710
ARCHITECT/ENGINEER (CSA GROUP)	\$ 87,000	\$ 64,794	\$ 22,206
LELY HIGH SCHOOL			
TEST & BALANCE SERVICES			
PROFESSIONAL AIR BALANCING	\$ 67,900	\$ 53,675	\$ 14,225
DRAINAGE IMPROVEMENTS			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 34,365	\$ -	\$ 34,365
ENGINEER (TKW)	\$ 36,700	\$ 3,775	\$ 32,925

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PROJECT	CONTRACT	COMPLETED	BALANCE
LORENZO WALKER TECHNICAL HIGH SCHOOL			
NEW CONSTRUCTION			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 9,659,371	\$ 7,690,215	\$ 1,969,156
ARCHITECT/ENGINEER (REYNOLDS, SMITH & HILLS)	\$ 759,603	\$ 664,653	\$ 94,950
MATERIALS TESTING SERVICES			
CONTRACTOR (UNIVERSAL ENGINEERING)	\$ 36,261	\$ 8,086	\$ 28,175
INSPECTION SERVICES			
CONTRACTOR (GFA)	\$ 74,250	\$ 7,425	\$ 66,825
TEST & BALANCE SERVICES			
CONTRACTOR (RICHARD FLANDERS)	\$ 37,500	\$ 9,375	\$ 28,125
EDUCATIONAL SPECIFICATIONS			
CONTRACTOR (HARVARD JOLLY)	\$ 35,000	\$ 15,000	\$ 20,000
LORENZO WALKER TECHNICAL INSTITUTE			
ADDITIONS/RENOVATIONS			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 22,711,322	\$ 1,986,337	\$ 20,724,985
ARCHITECT/ENGINEER (REYNOLDS, SMITH & HILLS)	\$ 1,600,831	\$ 1,168,792	\$ 432,039
MARCO ISLAND CHARTER MIDDLE SCHOOL			
MATERIALS TESTING & INSPECTION SERVICES			
CONTRACTOR (U.S. LABORATORIES)	\$ 59,280	\$ 31,344	\$ 27,936
MIKE DAVIS ELEMENTARY A/K/A ELEMENTARY "G"			
NEW CONSTRUCTION			
CONTRACTOR(GATES MCVEY BUTZ)	\$ 19,556,176	\$ 18,099,968	\$ 1,456,208
ARCHITECT/ENGINEER (HARVARD JOLLY)	\$ 791,600	\$ 742,891	\$ 48,709
MATERIALS TESTING SERVICES			
CONTRACTOR (UNIVERSAL ENGINEERING)	\$ 48,538	\$ 16,996	\$ 31,542
INSPECTION SERVICES			
CONTRACTOR (TLC)	\$ 59,220	\$ 33,476	\$ 25,744
CONTRACTOR (U.S. LABORATORIES)	\$ 121,500	\$ 82,620	\$ 38,880
TEST & BALANCE SERVICES			
CONTRACTOR (PROFESSIONAL AIR BALANCING)	\$ 35,000	\$ 26,500	\$ 8,500
NAPLES HIGH SCHOOL			
HVAC RENOVATIONS			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 4,987,078	\$ 4,795,834	\$ 191,244
ARCHITECT/ENGINEER (HANSON PROFESSIONAL SERVICES)	\$ 164,800	\$ 160,730	\$ 4,070
INTERIOR PAINTING			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 197,972	\$ 170,722	\$ 27,250
GYMNASIUM RENOVATION			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 14,660,348	\$ -	\$ 14,660,348
ARCHITECT/ENGINEER (ZYSCOVICH)	\$ 1,059,264	\$ 548,693	\$ 510,571
INSPECTION SERVICES			
CONTRACTOR (U.S. LABORATORIES)	\$ 74,000	\$ 19,980	\$ 54,020

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PROJECT	CONTRACT	COMPLETED	BALANCE
NAPLES PARK ELEMENTARY			
KITCHEN FLOOR REPLACEMENT			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 144,984	\$ -	\$ 144,984
NORTH NAPLES MIDDLE SCHOOL			
CHILLER REPLACEMENT			
ARCHITECT/ENGINEER (BRPH)	\$ 47,400	\$ 35,000	\$ 12,400
OAKRIDGE MIDDLE SCHOOL			
BANDROOM RENOVATION			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 168,442	\$ -	\$ 168,442
PALMETTO ELEMENTARY A/K/A ELEMENTARY "J"			
NEW CONSTRUCTION			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 22,768,990	\$ 21,409,245	\$ 1,359,745
ARCHITECT/ENGINEER (HARVARD JOLLY)	\$ 771,000	\$ 718,200	\$ 52,800
MATERIALS TESTING SERVICES			
CONTRACTOR (ASC GEOSCIENCES)	\$ 39,950	\$ 27,904	\$ 12,046
INSPECTION SERVICES			
CONTRACTOR (U.S. LABORATORIES)	\$ 121,500	\$ 85,050	\$ 36,450
CONTRACTOR (GFA)	\$ 58,300	\$ -	\$ 58,300
CONTRACTOR (TLC)	\$ 60,480	\$ 35,316	\$ 25,164
TEST & BALANCE SERVICES			
CONTRACTOR (RICHARD FLANDERS)	\$ 34,320	\$ 12,012	\$ 22,308
PARKSIDE ELEMENTARY SCHOOL A/K/A ELEMENTARY "M"			
NEW CONSTRUCTION			
ARCHITECT/ENGINEER (HARVARD JOLLY)	\$ 701,600	\$ 671,650	\$ 29,950
MATERIALS TESTING SERVICES			
CONTRACTOR (ASC GEOSCIENCES)	\$ 27,089	\$ 26,620	\$ 469
PELICAN MARSH ELEMENTARY			
ALUMINUM WALKWAY COVERS			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 190,661	\$ -	\$ 190,661
PINECREST ELEMENTARY SCHOOL			
ADDITIONS & RENOVATIONS			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 24,646,680	\$ 23,776,891	\$ 869,789
ARCHITECT/ENGINEER (FAWLEY BRYANT ARCHITECTS)	\$ 1,010,357	\$ 980,549	\$ 29,808
INSPECTION SERVICES			
CONTRACTOR (GFA)	\$ 89,147	\$ 82,416	\$ 6,731
TEST & BALANCE SERVICES			
CONTRACTOR (PROFESSIONAL AIR BALANCING)	\$ 50,700	\$ 39,540	\$ 11,160

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PROJECT	CONTRACT	COMPLETED	BALANCE
POINCIANA ELEMENTARY			
COVERED PLAYGROUND / KITCHEN FLOOR REPLACEMENT			
CONTRACTOR (WG MILLS)	\$ 647,534	\$ 542,214	\$ 105,320
VETERANS MEMORIAL A/K/A ELEMENTARY "I"			
NEW CONSTRUCTION			
ARCHITECT/ENGINEER (BRPH)	\$ 586,450	\$ 546,022	\$ 40,428
MATERIALS TESTING SERVICES			
CONTRACTOR (UNIVERSAL ENGINEERING)	\$ 47,215	\$ 15,729	\$ 31,486
ADDITION			
CONTRACTOR (WRIGHT CONSTRUCTION)	\$ 3,676,117	\$ 1,921,183	\$ 1,754,934
ARCHITECT/ENGINEER (BRPH)	\$ 151,480	\$ 97,695	\$ 53,785
INSPECTION SERVICES			
CONTRACTOR (U.S. LABORATORIES)	\$ 32,050	\$ 13,115	\$ 18,935
VILLAGE OAKS ELEMENTARY			
ADDITIONS/RENOVATIONS			
CONTRACTOR (KRAFT CONSTRUCTION)	\$ 21,708,190	\$ 20,284,944	\$ 1,423,246
ARCHITECT/ENGINEER (ZYSCOVICH)	\$ 1,171,748	\$ 1,083,630	\$ 88,118
INSPECTION SERVICES			
CONTRACTOR (GFA)	\$ 80,033	\$ 75,979	\$ 4,054
TEST & BALANCE SERVICES			
CONTRACTOR (PROFESSIONAL AIR BALANCING)	\$ 44,750	\$ 32,700	\$ 12,050
WAREHOUSE			
NEW CONSTRUCTION			
ARCHITECT/ENGINEER (SCHENKEL SHULTZ)	\$ 110,000	\$ 89,464	\$ 20,536
ALUMINUM WALKWAY CANOPY			
CALUSA PARK ELEMENTARY			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 57,311	\$ -	\$ 57,311
CORKSCREW ELEMENTARY			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 58,212	\$ -	\$ 58,212
CORKSCREW MIDDLE			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 72,333	\$ -	\$ 72,333
NORTH NAPLES MIDDLE			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 35,583	\$ -	\$ 35,583
OSCEOLA ELEMENTARY			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 57,536	\$ -	\$ 57,536
SABAL PALM ELEMENTARY			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 47,743	\$ -	\$ 47,743
VETERANS MEMORIAL			
CONTRACTOR (OWEN-AMES-KIMBALL)	\$ 52,299	\$ -	\$ 52,299

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PROJECT	CONTRACT	COMPLETED	BALANCE
ANNUAL FACILITY MAINTENANCE PERMITTING			
CONTRACTOR (U.S. LABORATORIES)	\$ 81,900	\$ 61,425	\$ 20,475
ATHLETIC IMPROVEMENTS			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 11,549,210	\$ 9,100,387	\$ 2,448,823
ARCHITECT/ENGINEER (BORRELLI & PARTNERS)	\$ 444,750	\$ 444,277	\$ 473
GIS SERVICES			
CONTRACTOR (WILSON MILLER)	\$ 60,495	\$ 23,298	\$ 37,197
LAND ACQUISITION			
CONTRACTOR (ROETZEL & ANDRESS)	\$ 250,000	\$ 168,330	\$ 81,670
CONTRACTOR (PARKLAND)	\$ 552,500	\$ -	\$ 552,500
CONTRACTOR (JOHNSON ENGINEERING)	\$ 30,000	\$ -	\$ 30,000
CONTRACTOR (WILSON MILLER)	\$ 48,700	\$ -	\$ 48,700
MIDDLE SCHOOL HAND DRYERS			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 112,823	\$ -	\$ 112,823
ARCHITECT/ENGINEER (BRPH)	\$ 28,000	\$ 7,218	\$ 20,782
PORTABLE DEMOLITION			
CONTRACTOR (LODGE CONSTRUCTION)	\$ 92,500	\$ 85,100	\$ 7,400
SCHOOL CONCURRENCY			
CONTRACTOR (KIMLEY-HORN & ASSOCIATES)	\$ 230,000	\$ 227,609	\$ 2,391
SYNTHETIC TURF			
IMMOKALEE HIGH SCHOOL			
CONTRACTOR (BALLARD CONSTRUCTION)	\$ 512,410	\$ 396,094	\$ 116,316
LELY HIGH SCHOOL			
CONTRACTOR (BALLARD CONSTRUCTION)	\$ 517,673	\$ 493,085	\$ 24,588
FACILITIES PROCESS & PROCEDURE MANUAL			
CONTRACTOR (ZHA)	<u>\$ 140,000</u>	<u>\$ 134,902</u>	<u>\$ 5,098</u>
TOTAL	<u>\$ 343,312,911</u>	<u>\$ 269,362,205</u>	<u>\$ 73,950,706</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

16. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 \$12,334,000 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, 2008.

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

Fiscal Year	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	\$ 13,200,000	34,644,907	(34,171,907)	\$ 13,673,000
2007-08	\$ 13,673,000	37,669,577	(39,008,577)	\$ 12,334,000

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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

17. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2007-08 fiscal year:

	<u>Total</u>	<u>Group Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Employee Benefits Plan</u>
Total Assets	\$ 40,186,017	\$ 23,434,828	\$ 16,247,947	\$ 503,242
Liabilities and Net Assets:				
Accounts Payable	\$ 696,574	\$ 620,043	\$ 58,323	\$ 18,208
Salaries and Wages Payable	7,670	3,297	4,179	194
Payroll Deductions and Withholdings Payable	2,904	1,519	1,296	89
Due to Other Agencies	55,837	33,943	13,495	8,399
Estimated Insurance Claims Payable	12,334,000	5,194,000	7,140,000	-
Unrestricted Net Assets	<u>27,089,032</u>	<u>17,582,026</u>	<u>9,030,654</u>	<u>476,352</u>
Total Liabilities and Net Assets	<u>\$ 40,186,017</u>	<u>\$ 23,434,828</u>	<u>\$ 16,247,947</u>	<u>\$ 503,242</u>
Revenues:				
Premium Contributions	\$ 40,649,160	\$ 34,525,903	\$ 5,261,752	\$ 861,505
Paid by Employees	4,342,780	3,084,067	-	1,258,713
Paid by Retirees	1,352,928	1,338,437	-	14,491
Interest Income	<u>1,126,719</u>	<u>864,148</u>	<u>251,982</u>	<u>10,589</u>
Total Revenues	47,471,587	39,812,555	5,513,734	2,145,298
Total Expenses	<u>(43,573,307)</u>	<u>(39,437,251)</u>	<u>(2,026,059)</u>	<u>(2,109,997)</u>
Change in Net Assets	<u>\$ 3,898,280</u>	<u>\$ 375,304</u>	<u>\$ 3,487,675</u>	<u>\$ 35,301</u>

18. SUBSEQUENT EVENTS

In mid September 2008, investments held by the District in The Reserve-Primary Money Market Fund experienced unprecedented market conditions resulting in an illiquid market for many securities as well as an unprecedented number of requests for liquidation. The Securities and Exchange Commission issued an order suspending all redemption rights until the funds could be liquidated by an orderly sale process that would obtain the best pricing for the shareholders and minimize any loss in the fund's net asset values. The District has received approximately 51% of its funds as of end of October 2008 and expects that a significant portion of the remaining funds will be available by the end of the fiscal year. The District anticipates that any loss, if any, will be nominal.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

On August 21, 2008 the District adopted a formal investment policy that defines credit risk and provides for diversification of funds to limit concentration risk. The foremost objective of the investment program is the safety of principal. The District shall diversify investments whenever possible without negatively affecting the safety of principal and liquidity. Return on investment is of least importance compared to the safety and liquidity objectives. These new guidelines are effective August 21, 2008.

19. LITIGATION

The District is involved in various lawsuits as of June 30, 2008. Management has given consideration to the District's related insurance coverage as well as the Florida statutory limitations on governmental liability on uninsured risks. The District believes it should be successful in defending these lawsuits. Management believes that the District's fund balance is sufficient to cover the District's position of any settlement in the event of any unsuccessful defense.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2008**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Federal direct	\$ 434,765	\$ 440,126	\$ 440,126	\$ -
Federal through state	820,681	813,395	813,395	-
State sources	99,855,099	85,446,857	85,391,724	(55,133)
Local sources	<u>274,266,176</u>	<u>275,787,174</u>	<u>275,787,174</u>	-
Total revenues	<u>375,376,721</u>	<u>362,487,552</u>	<u>362,432,419</u>	<u>(55,133)</u>
Expenditures				
Current:				
Instruction	252,239,549	243,611,562	232,877,344	10,734,218
Pupil personnel services	16,752,675	15,424,478	15,248,538	175,940
Instructional media services	5,503,672	5,359,581	5,247,540	112,041
Instruction and curriculum development services	9,414,065	8,868,137	8,780,749	87,388
Instructional staff training services	4,413,292	3,798,928	2,856,556	942,372
Instruction related technology	2,599,471	1,533,686	1,531,485	2,201
Board	2,005,194	2,378,982	1,822,485	556,497
General administration	2,168,662	2,097,083	2,044,242	52,841
School administration	27,353,837	25,582,120	24,976,475	605,645
Facilities acquisition and construction	1,724,591	906,511	558,906	347,605
Fiscal services	1,970,071	1,962,386	1,889,119	73,267
Central services	8,341,999	7,910,958	7,415,465	495,493
Pupil transportation services	21,751,780	21,330,401	20,846,420	483,981
Operation of plant	42,182,249	39,014,318	38,204,604	809,714
Maintenance of plant	18,503,614	16,531,610	15,922,651	608,959
Administrative technology services	3,248,074	2,813,153	2,703,928	109,225
Community services	5,315	2,270	1,208	1,062
Capital outlay:				
Facilities acquisition and construction	-	1,669,546	1,669,546	-
Other capital outlay	-	3,680,946	3,680,946	-
Total expenditures	<u>420,178,110</u>	<u>404,476,656</u>	<u>388,278,207</u>	<u>16,198,449</u>
Deficiency of revenues under expenditures	<u>(44,801,389)</u>	<u>(41,989,104)</u>	<u>(25,845,788)</u>	<u>16,143,316</u>
Other financing sources (uses)				
Discount on certificates of participation	100,000	10,984	10,984	-
Loss recoveries	-	798,462	798,462	-
Transfers in	<u>26,830,509</u>	<u>29,511,944</u>	<u>29,511,944</u>	-
Total other financing sources (uses)	<u>26,930,509</u>	<u>30,321,390</u>	<u>30,321,390</u>	-
Net change in fund balance	(17,870,880)	(11,667,714)	4,475,602	16,143,316
Fund balance - beginning	<u>35,416,897</u>	<u>35,416,897</u>	<u>35,416,897</u>	-
Fund balance - ending	<u>\$ 17,546,017</u>	<u>\$ 23,749,183</u>	<u>\$ 39,892,499</u>	<u>\$ 16,143,316</u>

OTHER SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,451	\$ -	\$ 473,794	\$ 478,245
Investments	-	227,532	-	227,532
Accounts receivable, net	126,579	-	-	126,579
Due from other agencies	2,076,997	-	-	2,076,997
Inventory	561,371	-	-	561,371
Total assets	\$ 2,769,398	\$ 227,532	\$ 473,794	\$ 3,470,724
Liabilities and fund balances				
Liabilities:				
Salaries, benefits and payroll taxes payable	\$ 289,871	\$ -	\$ -	\$ 289,871
Payroll deductions and withholdings	119,663	-	-	119,663
Accounts payable	292,527	-	-	292,527
Construction contracts payable	-	-	256,671	256,671
Construction contracts payable - retained percentage	-	-	28,519	28,519
Due to other agencies	190,567	-	-	190,567
Due to other funds	1,422,428	-	-	1,422,428
Deferred revenue	378,396	-	-	378,396
Total liabilities	2,693,452	-	285,190	2,978,642
Fund balances:				
Reserved for:				
Encumbrances	18,900	-	181,405	200,305
Inventory	561,371	-	-	561,371
Retirement of long-term debt	-	227,532	-	227,532
Unreserved:				
Special revenue	(504,325)	-	-	(504,325)
Capital Projects	-	-	7,199	7,199
Total fund balances	75,946	227,532	188,604	492,082
Total liabilities and fund balances	\$ 2,769,398	\$ 227,532	\$ 473,794	\$ 3,470,724

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Federal direct	\$ 4,515,588	\$ -	\$ -	\$ 4,515,588
Federal through state	37,212,677	-	-	37,212,677
State sources	302,300	1,060,752	7,202,320	8,565,372
Local sources	11,651,107	-	30,249	11,681,356
Total revenues	<u>53,681,672</u>	<u>1,060,752</u>	<u>7,232,569</u>	<u>61,974,993</u>
Expenditures				
Current:				
Instruction	22,318,803	-	-	22,318,803
Pupil personnel services	3,585,399	-	-	3,585,399
Instructional media services	40,197	-	-	40,197
Instruction and curriculum development services	3,171,003	-	-	3,171,003
Instructional staff training services	3,513,558	-	-	3,513,558
Instruction related technology	41,760	-	-	41,760
General administration	617,176	-	-	617,176
School administration	199,761	-	-	199,761
Fiscal services	17,472	-	-	17,472
Food services	17,392,206	-	-	17,392,206
Central services	321,834	-	-	321,834
Pupil transportation services	1,652,976	-	-	1,652,976
Operation of plant	83,296	-	-	83,296
Maintenance of plant	20,870	-	-	20,870
Capital outlay:				
Facilities acquisition and construction	-	-	9,920,978	9,920,978
Other capital outlay	338,219	-	-	338,219
Debt service:				
Principal	-	655,000	-	655,000
Interest	-	419,300	-	419,300
Dues, fees and issuance costs	-	855	845	1,700
Total expenditures	<u>53,314,530</u>	<u>1,075,155</u>	<u>9,921,823</u>	<u>64,311,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>367,142</u>	<u>(14,403)</u>	<u>(2,689,254)</u>	<u>(2,336,515)</u>
Other financing sources				
Transfers out	-	-	(2,748,816)	(2,748,816)
Total other financing sources	-	-	<u>(2,748,816)</u>	<u>(2,748,816)</u>
Net change in fund balances	367,142	(14,403)	(5,438,070)	(5,085,331)
Fund balance - beginning	<u>(291,196)</u>	<u>241,935</u>	<u>5,626,674</u>	<u>5,577,413</u>
Fund balance - ending	<u>\$ 75,946</u>	<u>\$ 227,532</u>	<u>\$ 188,604</u>	<u>\$ 492,082</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008**

	<u>Food Service</u>	<u>Other Federal Programs</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets			
Cash and cash equivalents	\$ 4,402	\$ 49	\$ 4,451
Accounts receivable, net	126,579	-	126,579
Due from other agencies	994,077	1,082,920	2,076,997
Inventory	561,371	-	561,371
Total assets	<u>\$ 1,686,429</u>	<u>\$ 1,082,969</u>	<u>\$ 2,769,398</u>
Liabilities and fund balances			
Liabilities:			
Salaries, benefits and payroll taxes payable	\$ 21,360	\$ 268,511	\$ 289,871
Payroll deductions and withholdings	10,353	109,310	119,663
Accounts payable	45,909	246,618	292,527
Due to other agencies	38,352	152,215	190,567
Due to other funds	1,377,707	44,721	1,422,428
Deferred revenue	116,802	261,594	378,396
Total liabilities	<u>1,610,483</u>	<u>1,082,969</u>	<u>2,693,452</u>
Fund balances:			
Reserved for:			
Encumbrances	18,900	-	18,900
Inventory	561,371	-	561,371
Unreserved:			
Special revenue	(504,325)	-	(504,325)
Total fund balances	<u>75,946</u>	<u>-</u>	<u>75,946</u>
Total liabilities and fund balances	<u>\$ 1,686,429</u>	<u>\$ 1,082,969</u>	<u>\$ 2,769,398</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008**

	Food Service	Other Federal Programs	Total Nonmajor Special Revenue Funds
Revenues			
Federal direct	\$ -	\$ 4,515,588	\$ 4,515,588
Federal through state	9,952,148	27,260,529	37,212,677
State sources	267,327	34,973	302,300
Local sources	7,541,869	4,109,238	11,651,107
Total revenues	<u>17,761,344</u>	<u>35,920,328</u>	<u>53,681,672</u>
Expenditures			
Current:			
Instruction	-	22,318,803	22,318,803
Pupil personnel services	-	3,585,399	3,585,399
Instructional media services	-	40,197	40,197
Instruction and curriculum development services	-	3,171,003	3,171,003
Instructional staff training services	-	3,513,558	3,513,558
Instruction related technology	-	41,760	41,760
General administration	-	617,176	617,176
School administration	-	199,761	199,761
Fiscal services	-	17,472	17,472
Food services	17,392,206	-	17,392,206
Central services	-	321,834	321,834
Pupil transportation services	-	1,652,976	1,652,976
Operation of plant	-	83,296	83,296
Maintenance of plant	-	20,870	20,870
Capital outlay:			
Other capital outlay	1,996	336,223	338,219
Total expenditures	<u>17,394,202</u>	<u>35,920,328</u>	<u>53,314,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>367,142</u>	<u>-</u>	<u>367,142</u>
Fund balance - beginning	<u>(291,196)</u>	<u>-</u>	<u>(291,196)</u>
Fund balance - ending	<u>\$ 75,946</u>	<u>\$ -</u>	<u>\$ 75,946</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2008**

	State Board of Education	Total Nonmajor Debt Service Funds
	<u> </u>	<u> </u>
Assets		
Investments	\$ 227,532	\$ 227,532
Total assets	<u>\$ 227,532</u>	<u>\$ 227,532</u>
Fund balances		
Fund balances:		
Reserved for:		
Retirement of long-term debt	\$ 227,532	\$ 227,532
Total fund balances	<u>227,532</u>	<u>227,532</u>
Total fund balances	<u>\$ 227,532</u>	<u>\$ 227,532</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2008**

	State Board of Education	Total Nonmajor Debt Service Funds
Revenues		
State sources	\$ 1,060,752	\$ 1,060,752
Total revenues	<u>1,060,752</u>	<u>1,060,752</u>
Expenditures		
Debt service:		
Principal	655,000	655,000
Interest	419,300	419,300
Dues, fees and issuance costs	855	855
Total expenditures	<u>1,075,155</u>	<u>1,075,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,403)</u>	<u>(14,403)</u>
Fund balance - beginning	<u>241,935</u>	<u>241,935</u>
Fund balance - ending	<u><u>\$ 227,532</u></u>	<u><u>\$ 227,532</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2008**

	Public Education Capital Outlay (PECO)	Capital Outlay and Debt Service (CO & DS)	Total Nonmajor Capital Projects Funds
Assets			
Cash and cash equivalents	\$ -	\$ 473,794	\$ 473,794
Total assets	\$ -	\$ 473,794	\$ 473,794
Liabilities and fund balances			
Liabilities:			
Construction contracts payable	\$ -	\$ 256,671	\$ 256,671
Construction contracts payable - retained percentage	-	28,519	28,519
Total liabilities	-	285,190	285,190
Fund balances:			
Reserved for:			
Encumbrances	-	181,405	181,405
Unreserved:			
Capital projects	-	7,199	7,199
Total fund balances	-	188,604	188,604
Total liabilities and fund balances	\$ -	\$ 473,794	\$ 473,794

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2008**

	Public Education Capital Outlay (PECO)	Capital Outlay and Debt Service (CO & DS)	Total Nonmajor Capital Projects Funds
Revenues			
State sources	\$ 6,498,197	\$ 704,123	\$ 7,202,320
Local sources	1,742	28,507	30,249
Total revenues	<u>6,499,939</u>	<u>732,630</u>	<u>7,232,569</u>
Expenditures			
Capital outlay:			
Facilities acquisition and construction	8,592,570	1,328,408	9,920,978
Debt service:			
Debt service - misc. expenditures	-	845	845
Total expenditures	<u>8,592,570</u>	<u>1,329,253</u>	<u>9,921,823</u>
Excess (deficiency) of revenues over (under) expenditures	(2,092,631)	(596,623)	(2,689,254)
Other financing sources (uses)			
Transfers out	<u>(2,748,816)</u>	-	<u>(2,748,816)</u>
Total other financing sources (uses)	<u>(2,748,816)</u>	-	<u>(2,748,816)</u>
Net change in fund balances	(4,841,447)	(596,623)	(5,438,070)
Fund balance - beginning	<u>4,841,447</u>	<u>785,227</u>	<u>5,626,674</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 188,604</u>	<u>\$ 188,604</u>

COMPLIANCE AND SINGLE AUDIT



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

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 District School Board of Collier County, Florida (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2008. We did not audit the financial statements of the school internal funds or the aggregate discretely presented component units; those financial statements were audited by 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

This report is intended solely for the information and use of the District School Board, the Audit Committee, applicable management, applicable federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
December 8, 2008



**Independent Auditors' Report on Compliance
with Requirements Applicable to Each Major
Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

The Honorable Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

Compliance

We have audited the compliance of the District School Board of Collier County (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District School Board of Collier County's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the District School Board, the Audit Committee, applicable management, applicable federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
December 8, 2008

DISTRICT SCHOOL BOARD OF COLLIER COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

Grantor/Program	CFDA Number	Amount of Expenditures
United States Department of Agriculture:		
Indirect:		
Florida Department of Agriculture and Consumer Services: Food Donation	10.550	\$ 1,177,178
Florida Department of Education: School Breakfast Program	10.553	1,790,639
National School Lunch Program	10.555	<u>7,083,597</u>
Total United States Department of Agriculture		<u>10,051,414</u>
United States Department of Labor:		
Indirect:		
Florida Department of Education: National Farmworker Jobs Program	17.264	<u>393,673</u>
Total United States Department of Labor		<u>393,673</u>
National Aeronautics and Space Administration:		
Indirect:		
National Science Teachers Association: Aerospace Education Services Program	43.001	<u>2,192</u>
Total National Aeronautics and Space Administration		<u>2,192</u>
United States Department of Education:		
Direct:		
Federal Supplemental Educational Opportunity Grants	84.007	7,500
Federal Pell Grant Program	84.063	351,729
Safe and Drug-Free Schools and Communities-National Programs School-Based Student Random Drug Testing	84.184	97,305
Advanced Placement Fee Payment Program: Educational Excellence-Mastering Challenging Curriculum	84.330	994,373
Indian Education	84.060	3,194
Fund for the Improvement of Education	84.215	60,939
Center on Technology & Standards-Based Reform for Students with Disabilities - WYNN	84.327	300
Arts in Education	84.351	<u>246,937</u>
Total Direct		<u>1,762,277</u>
Indirect:		
Florida Department of Education: Adult Education - State Grant Program	84.002	639,681
Title I Grants to Local Educational Agencies	84.010	7,453,191
Migrant Education - State Grant Program	84.011	4,155,933
Special Education - Grants to States	84.027	8,115,833
Vocational Education - Basic Grants to States	84.048	493,001
Vocational Education Grants to States Contract #08-126-VH268	84.126	124,521
Special Education - Preschool Grants	84.173	253,629
Safe and Drug-Free Schools and Communities - State Grants	84.186	141,348
Education for Homeless Children and Youth	84.196	68,177
Even Start - State Educational Agencies	84.213	213,953
Twenty-First Century Community Learning Centers	84.287	469,318
State Grants for Innovative Programs	84.298	63,157
Education Technology State Grants	84.318	61,653
English Language Acquisition Grants	84.365	1,074,020
Improving Teacher Quality State Grants	84.367	1,501,894
Title I School Improvement Fund	84.377	49,186
Florida Increasing Refugee Student Achievement	93.576	122,221
Southwest Florida Workforce Development Board: Twenty-First Century Community Learning Centers	84.287	503,349
District School Board of Lee County: Reading First State Grants	84.357	896,704
District School Board of Washington County: Reading First State Grants	84.357	4,579
University of Florida: Project CONNECT	84.027	596
University of South Florida: Positive Behavior Support	84.027	<u>30,539</u>
Total Indirect		<u>26,436,483</u>
Total United States Department of Education		<u>28,198,760</u>
United States Department of Health and Human Services:		
Direct:		
Head Start	93.600	2,753,312
Indirect:		
Florida Department of Children and Families Refugee and Entrant Assistance - Discretionary Grants	93.576	<u>662,565</u>
Total United States Department of Health and Human Services		<u>3,415,877</u>
United States Department of Homeland Security:		
Indirect:		
Florida Department of Community Affairs: Disaster Grants - Public Assistance	97.036	<u>779,170</u>
United States Department of Energy:		
Direct:		
Subpart V Special Refund Proceeding RF272-87241	None	<u>106</u>
United States Department of Defense:		
Direct:		
Army Junior Reserve Officers Training Corps	None	<u>440,020</u>
TOTAL EXPENDITURES		<u>\$ 43,281,212</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs, during the 2007-2008 fiscal year, as determined based on the modified accrual basis of accounting. Amounts are reported for disaster grants as qualified expenditures are identified. 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.

Noncash Assistance

The amount reported for Food Donation represents the donated food used during the year ended June 30, 2008. Commodities are valued at fair market value as determined at the time of donation.

2. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

3. Contingency

The grant revenue amounts received are subject to audit and adjustment. If expenditures were disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the District School Board of Collier County, Florida. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

4. Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 Catalog of Federal Domestic Assistance.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part I - Summary of Audit Results

1. The auditors report on the financial statements expresses an unqualified opinion.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unqualified opinion.
6. The programs tested as major programs were:

Name of Program	CFDA #
Title I, Part A	84.010
Head Start	93.600
Improving Teacher Quality State Grants	84.367

7. The threshold for distinguishing Types A and B programs was \$1,298,436.
8. The District was determined to be a low risk auditee.

Part II - Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None reported.

Part III - Federal Award Finding and Questioned Costs Section

None reported.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
Corrective Action Plan
Year Ended June 30, 2008

There were no findings or questioned costs related to federal awards; therefore, a corrective action plan is not required.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

No findings in prior year.

OTHER INFORMATION



Independent Auditors' Management Letter

The Honorable Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

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 District School Board of Collier County, Florida (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2008. 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 or the aggregate discretely presented component units; those financial statements were audited by other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 8, 2008, and it should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General. Those rules (Section 10.804(1)(f)1.) require that we address in the management letter, if not already addressed in the auditors' report on internal controls over financial reporting and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the prior year annual financial audit report.

As required by the Rules of the Auditor General (Section 10.804(1)(f)2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District met any of the conditions of a financial emergency contained in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the District's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(1)(f)3.) state that a management letter shall include a statement as to whether or not the District complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District was in noncompliance with Section 218.415 regarding the investment of public funds. However, our audit was not directed toward obtaining knowledge regarding the District's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(1)(f)4.) require disclosure of recommendations to improve financial management. In connection with our audit, there were no such recommendations.

The Rules of the Auditor General (Section 10.804(1)(f)5.) require disclosure of violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, there were no such matters noted.

The Rules of the Auditor General (Section 10.804(1)(f)6.) allow for the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, to be reported based on professional judgment: (a) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred; (b) control deficiencies that are not significant deficiencies. In connection with our audit, there were no such items reported.

The Rules of the Auditor General (Section 10.804(1)(f)7.) require a statement that the auditor has applied financial condition assessment procedures pursuant to Rule 10.805(6). In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations by management and review of financial information provided by them.

In planning and performing our audit of the financial statements for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

We wish to thank the District's finance and accounting personnel and others involved in the conduct of the audit for their courtesy and cooperation.

This report is intended for the information of the District School Board, applicable management, and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
December 8, 2008