

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

**Financial Statements
for the year ended
June 30, 2010**

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FINANCIAL SECTION



Report of Independent Certified Public Accountants

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, 2010, 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 10% of the assets and liabilities of the aggregate remaining fund information 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, 2010, 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 15, 2010 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 14, the Budgetary Comparison Schedules on pages 52 through 53, and schedule of funding progress on page 54 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 55 through 62 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, Bekant & Holland, C.P.A.

Orlando, Florida
December 15, 2010

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District School Board of Collier County's (District) Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the District's Financial Statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-2010 fiscal year are as follows:

- The District's revenue sources from the Florida Education Finance Program (FEFP) increased in the net amount of \$1.5 million over the originally projected amount. The increase originated from \$ 3.9 million for growth and prior year adjustments that was offset by a \$1.2 million dollar reduction due to a shortfall in State Funding, and \$1.2 million dollar reduction associated with the State's McKay Students with Disabilities Scholarship Program. The net increase in revenue for the year, after the reductions, was \$1.5 million.
- In FY 10, in an effort to maintain financial integrity and safeguard the District during these unstable economic times, enhancements were made to existing reserve amounts and new reserves were created. The District increased its amounts designated for strategic reserve by \$1.3 million and contingency reserve by \$2.8 million. Also, the amount of \$2 million was added to the reserve for the district's share of potential state revenue shortages. In addition two new reserves were added. The first was a new reserve for Class Size Reduction, in the amount of \$2.8 million, to facilitate future compliance with Florida's Constitutional Amendment. The second new reserve, in the amount of \$13 million, was established to partially offset the future loss of \$15.5 State Fiscal Stabilization Funding (SFSF). In FY10 the state used Federal funds from the American Reinvestment and Recovery Act (ARRA) to support a portion of the FEFP that could not be funded with state revenues due to adverse economic times. The State Fiscal Stabilization Funding is for two years and will expire on June 30, 2011. The district will face a significant reduction in resources if the State of Florida is unable to replace this funding. The district's reserve was established to offset a portion of this potential loss of funds.
- General Fund revenues and other financing sources exceeded expenditures by \$28.2 million. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures by \$4.1 million. The revenues in excess of expenditures created by cost savings and cost containment enabled the District to enhance its designations of reserves in an effort to stabilize the district in these adverse economic times.

NON-FINANCIAL EVENTS

The District's full time equivalent student (FTE) enrollment increased by 273 students, which was slightly more than a half of a percent during the 2009-2010 fiscal year.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1 Annual Financial Report

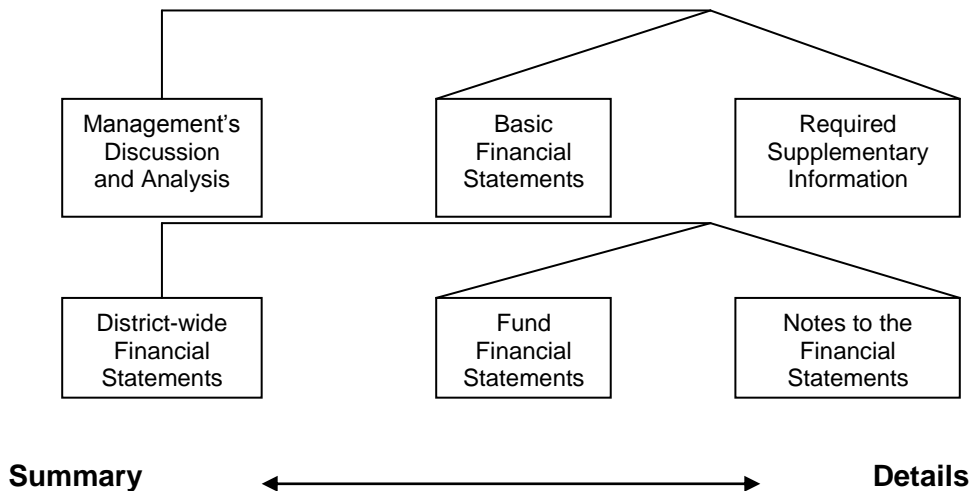


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section highlights the structure and content of each of the statements.

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

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 Fund 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, 2010

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 nonfinancial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities, must be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental Funds*: Most of the District's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that assists the reader in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, separate reconciliations explain the relationships and differences between these statements.
- *Proprietary Funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

- *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 \$37.1 million, from \$855.2 million at June 30, 2009, to \$892.3 million at June 30, 2010.

Figure A-3

Condensed Statement of Net Assets
(in millions of dollars)

	Governmental Activities	
	June 30, 2010	June 30, 2009
Current and Other Assets	\$ 368.6	\$ 368.7
Capital Assets	1,110.2	1,097.5
Total Assets	1,478.8	1,466.2
Long-Term Liabilities	559.2	579.5
Other Liabilities	27.3	31.5
Total Liabilities	586.5	611.0
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	592.6	580.1
Restricted	226.7	225.0
Unrestricted	73.0	50.1
Total Net Assets	\$ 892.3	\$ 855.2

The largest portion of the District's net assets, 66.4 percent, reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets, 25.4 percent, represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets, 8.2 percent, may be used to meet the government's ongoing obligations to students, employees, and creditors.

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

**DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

Figure A-4

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

	Governmental Activities	
	2009-2010	2008-2009
Program Revenues:		
Charges for Services	\$ 9.2	\$ 11.6
Operating Grants and Contributions	14.4	19.1
Capital Grants and Contributions	9.9	9.1
General Revenues:		
Property Taxes	365.6	384.3
Grants and Contributions not Restricted to Specific Programs	128.4	121.9
Other	12.6	34.2
Total Assets	540.1	580.2
Functions/Program Expenses:		
Instruction	274.5	279.1
Pupil and Instructional Services	44.6	41.8
Administration and Business	41.5	39.5
Maintenance and Operations	97.5	100.9
Transportation	17.7	18.9
Other	27.2	27.9
Total Liabilities	503.0	508.1
Increase in Net Assets	\$ 37.1	\$ 72.1

The largest revenue source (64.2 percent) is received through the Florida Education Finance Program (FEFP) funding formula. This FEFP funding totals \$347.8 million and is comprised of local property taxes levied for operational purposes (78.5 percent), Federal Through State revenues from State, Fiscal Stabilization (ARRA) funds (4.5 percent) and revenues from State sources (17.0 percent) included as part of the grants and contributions not restricted to specific programs. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Other revenues decreased by \$21.6 million or 63 percent from the prior year. This decrease is associated with a one time revenue adjustment that was made in the preceding year and increased the revenue for 2008-09.

The second predominate revenue source is local taxes for capital operations, which comprises \$92.4 million or 17.0 percent of the revenue. Local taxes collected for capital purposes decreased \$44.7 million or 32.6 percent; this decrease can be attributable to declining property values and the District's reduction in the capital millage rate of 0.25 mills to offset the voter approved referendum of 0.25 mills in operating tax levy.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

Instructional expenses represent 54.6 percent of total governmental expenses in the 2009-10 fiscal year. Instructional expenses decreased by \$4.6 million, or 1 percent, from the previous year and is associated with cost containment attributable to decreased revenues.

Maintenance and Operations expenses decreased \$3.4 million or 3 percent and is associated with energy conservation, lower than anticipated utility costs and cost containment.

Transportation expenses decreased by \$1.2 million or 6.3 percent. The change is associated with a reduction of expenses as the result of abating transportation revenue against expenses during the year, which is a change in the method of handling the revenues that occurred during the year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Major Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$304.7 million, an increase of \$9.1 million in comparison with the prior year. Unreserved fund balances of \$221.2 million represent 72.6 percent of the ending fund balance and are available to meet the District's short-term spending needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: outstanding purchase orders (\$29.4 million); State categorical programs (\$.8 million); debt service payments (\$51.5 million); and inventory related expenditures (\$1.8 million).

The financial performance of the District as a whole is reflected in its governmental funds, with special emphasis to be placed on the General Fund. The General Fund fund balance increased from \$44.0 million to \$72.1 million due mainly to the Board's aggressive policy to reduce expenditures. However, the unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$65.6 million at June 30, 2010, or 18.6 percent of General Fund expenditures as compared to \$38.9 million, or 10.5 percent at June 30, 2009. The District has designated \$48.1 million of its \$65.6 million unreserved fund balance for program carry forwards and earmarked reserves, which represents 13.7 percent of General Fund expenditures in the 2009-10 fiscal year. The unreserved and undesignated portion totals \$17.5 million or 5.0 percent of General Fund expenditures in the 2009-2010 fiscal year.

The Special Revenues – ARRA Economic Stimulus Fund is used to account for Federal program revenues and expenditures from the American Reinvestment and Recovery Act (ARRA) funding. This fund represents program revenues and expenses targeted for specific purposes in accordance with the American Reinvestment and Recovery Act. During the year 2009-2010 the District received \$24 million in ARRA funding.

The Debt Service – Other Fund, which is used to account for the payment of principal, interest, and related costs pertaining to the District's Certificates of Participation, has a total fund balance of \$51.3 million. The net increase of \$5.6 million is a result of efforts to increase fund balances set aside for future debt payments.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

The Capital Projects – Local Capital Improvement Fund, which is used to account for revenues produced by an ad valorem (property) tax levy authorized by the Board to support capital improvements, has a total fund balance of \$173.1 million compared to \$178.3 million in the preceding year. The net decrease of \$5.2 million can be primarily attributed to a decrease in property tax revenue from declining taxable values attributable to economic conditions. .

The Capital Projects - Other Fund, which is used to account for the financial resources from various State and local capital outlay needs, has a total fund balance of \$3.9 million, compared to a June 30, 2009 balance of \$25.1 million. The net decrease of \$21.2 million is due to the use of resources accumulated in prior years to fund capital outlay projects that were expended in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Federal Through State revenues increased by \$1 million, of which \$700 thousand was attributable to increased Medicaid revenue and \$300 thousand was related to additional grants and awards.

An increase of \$1 million in State funding sources, from the original budget of \$67.6 million to actual revenues of \$68.6 million, is attributable to funding from an increased number of students.

Actual local revenues increased by \$6.3 million for the year when compared to the original budget. Additional local revenue collected represents increased tax collections in the amount of \$3.5 million, additional interest earnings of \$1.3 million and \$1.5 in various miscellaneous local revenues.

The most significant change for the General Fund, between the original (\$383.6 million) and the final appropriations budget (\$368.6 million), was additional cost savings and containment measures which enabled the District to reduce the budget, establish a reserve for future periods and increase current reserve levels.

Appropriations for instruction reflect a \$19.1 million variance between the final budget and actual expenditures, of which \$1.5 million represents obligations incurred but not delivered or paid, i.e., encumbered outstanding purchase orders. In addition, \$5.5 million was carried forward on behalf of instructional programs, which include restricted State categorical funds, as well as school carry forwards for the 2009-10 fiscal year. The McKay voucher program resulted in a decrease to appropriations in the amount of \$1.2 million to reflect the revenue adjustment made by state. A \$3.5 million reduction is attributable to a reclassification of instructional capitalized assets to another function in accordance with accounting standards. The remaining variance of \$7.4 million is associated with unexpended funds within various programs throughout the District as the result of cost savings throughout the year. The unexpended funds are part of the unrestricted fund balance that is brought forward in support of the 2010-11 fiscal year appropriations which are in excess of estimated revenues.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

School Administration reflects a variance from the original budget of \$29.3 to the actual expenditures of \$26.5 million, which is a reduction of \$2.8 million. During the year the District provided assistance to schools and departments on the correct functional classification of expenditures, and budgets were moved from School Administration to more appropriate functions.

Facility Acquisition and Construction reflected a \$1.0 million variance between the original budget of \$1.8 million and final expenditures of \$0.8 million. The reduction of expenditures reflects cost reductions attributable to completion of capital projects.

Transportation Services reflect an appropriation variance between the original budget and actual expenditures of \$2.5 million. Approximately 1.6 million can be attributable to a reduction of expenses as the result of abating transportation revenue against expenses during the year, which is a change in the method of handling the revenues that occurred during the year. The remaining \$2.1 million represents unexpended funds as the result of cost savings and lower than anticipated fuel costs during the year.

Actual expenditures for operation of plant were approximately \$6.5 million less than the original budget. This occurred predominately (3.4 million) from the absence of an expected rate increase from the largest electricity supplier to the district, energy conservation efforts directed by the Superintendent and other utilities expenditures that came in less than originally forecast.

General Fund variances for the year compare actual revenues and expenditures and final budget figures. The total variance of \$16.3 million does not take into consideration outstanding encumbrances or carry forward of unexpended funds for specific programs. These encumbrances represent obligations that are expected to be paid in the subsequent year and carried forward to the 2010-11 fiscal year. The encumbrances for the General Fund at year-end are \$5.1 million, of which \$3.9 million is directly related to instruction and instructional media services, and the balance of \$1.2 million is related to other functions. Carried forward amounts for program activities amounted to \$5.5 million in support of schools and programs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2010, amounts to \$1.1 billion (net of accumulated depreciation). This investment in capital assets includes land and land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in Notes 5 and 15 of the financial statements.

Debt Administration

At June 30, 2010, the District had total long-term debt outstanding of \$520.2 million. This amount was comprised of \$6.5 million of bonds payable and \$513.7 million of certificates of participation payable.

Retirement of long-term debt included \$0.7 million of bonds payable and \$20.2 million of certificates of participation payable.

Additional information on the District's long-term debt can be found in Notes 6, 7, and 8 to the financial statements.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

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 economic slowdown in Florida continues to impact education. General State revenues are projected to remain low but stable. Fortunately, Florida is receiving Federal Economic Stabilization Funding which will offset the decline of State General Fund revenues available to support education. School districts across the State would have seen a significant decline in educational funding in the absence of these stabilization dollars.
- The District has been allocated \$15 million in Federal Stabilization Funding for the 2010-11 fiscal year. The primary goal of these funds is to save jobs or create additional jobs. This funding will expire on June 30, 2011. However, school districts have been cautioned to prepare budgets that "avoid falling off the cliff" when the funding ultimately goes away. Clearly, this will be a challenge since the Federal Stabilization fund is to be utilized to maintain or expand employment opportunities. The District will face a significant reduction in resources if the State of Florida is unable to replace this funding. As a proactive approach to this situation, the District has established an additional \$15.5 million in designated reserve accounts to assist the District in transitioning away from dependency upon Federal Stabilization funds in the 2011-12 fiscal year.
- The District is projected to experience a half of one percent increase in student population during the 2010-11 fiscal year. The District has established an adequate reserve to refund unearned dollars to the State in the event that enrollment is lower than anticipated.
- Constitutional Amendment #8 amends the original Class Size Reduction Amendment to freeze the requirement at the 2009-10 level of school average of 18, 22 and 25, respectively, instead of requiring each and every core class to meet the maximum size requirement with the restriction that no PreK – 3 class can be over 21, no Grade 4 – 8 class can be over 27 and no Grade 9 – 12 class can be over 30. Amendment 8 was voted down by the voters during the November 2010 general election. The cost of implementing class size reduction under current requirements will have a significant cost to the District. It is not likely the District will not be in full compliance for 2010-11. Secondly, if amendment #8 fails, then significant financial resources will be required in the subsequent year of 2011-12. The net penalty for non-compliance for the year 2010-11 is estimated to be \$2.5 million dollars and the District has established a reserve in the event of non-compliance.

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, 2010**

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 328,556,768	\$ 1,822,199
Investments	5,165,180	257,394
Accounts receivable, net	542,117	121,410
Deposits receivable	17,409	-
Due from other agencies	3,510,335	-
Inventory	3,637,206	-
Prepaid items and other assets	3,744,442	153,219
Restricted assets:		
Investments	2,254,063	-
Deferred charges:		
Issuance costs	4,879,860	-
Note receivable	16,326,738	-
Capital assets:		
Nondepreciable capital assets	232,781,938	-
Depreciable capital assets, net	877,407,497	152,077
Total assets	1,478,823,553	2,506,299
Liabilities		
Salaries, benefits and payroll taxes payable	2,322,072	183,038
Payroll deductions and withholdings	1,129,049	-
Accounts payable	5,347,890	138,841
Construction contracts payable	837,932	-
Construction contracts payable - retainage percentage	5,449,982	-
Accrued interest	8,936,947	-
Deposits payable	25,000	-
Due to other agencies	2,599,823	-
Deferred revenue	622,030	60,000
Noncurrent liabilities:		
Portion due within one year:		
Bonds Payable	759,618	-
Liability for compensated absences	14,375,102	-
Certificates of participation payable	21,066,745	-
Estimated liability for unpaid claims	8,273,000	-
Portion due after one year:		
Bonds Payable	5,717,708	-
Liability for compensated absences	12,569,427	-
Certificates of participation payable	492,599,043	-
Estimated liability for unpaid claims	3,705,000	-
Other post-employment benefits obligation	179,336	-
Total liabilities	586,515,704	381,879
Net assets		
Invested in capital assets, net of related debt	592,580,586	152,077
Restricted for:		
Categorical carryover programs	782,931	-
Food Service	4,005,740	-
Debt service	47,413,999	-
Capital projects	174,534,620	391,878
Other purposes	-	37,018
Unrestricted	72,989,973	1,543,447
Total net assets	\$ 892,307,849	\$ 2,124,420

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Activities
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Instruction	\$ 274,508,990	\$ 3,281,581	\$ -
Pupil personnel services	19,161,796	-	-
Instructional media services	5,373,029	-	-
Instruction and curriculum development services	10,142,314	-	-
Instructional staff training services	8,358,449	-	-
Instructional related technology	1,579,712	-	-
Board	1,182,110	-	-
General administration	2,677,111	-	-
School administration	27,764,976	-	-
Facilities acquisition and construction	26,903,378	-	-
Fiscal services	2,159,085	-	-
Food services	18,373,446	5,938,071	14,430,380
Central services	7,569,038	-	-
Pupil transportation services	17,737,537	-	-
Operation of plant	35,312,810	-	-
Maintenance of plant	17,023,937	-	-
Administrative technology services	2,618,472	-	-
Interest on long-term debt	24,591,550	-	-
Total governmental activities	<u>503,037,740</u>	<u>9,219,652</u>	<u>14,430,380</u>
Total primary government	<u>\$ 503,037,740</u>	<u>\$ 9,219,652</u>	<u>\$ 14,430,380</u>
Component units:			
Component units	\$ 5,247,415	\$ -	\$ -
Total component units	<u>\$ 5,247,415</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
\$ -	\$ (271,227,409)	\$ -
-	(19,161,796)	-
-	(5,373,029)	-
-	(10,142,314)	-
-	(8,358,449)	-
-	(1,579,712)	-
-	(1,182,110)	-
-	(2,677,111)	-
-	(27,764,976)	-
8,831,218	(18,072,160)	-
-	(2,159,085)	-
-	1,995,005	-
-	(7,569,038)	-
-	(17,737,537)	-
-	(35,312,810)	-
-	(17,023,937)	-
-	(2,618,472)	-
1,047,599	(23,543,951)	-
<u>9,878,817</u>	<u>(469,508,891)</u>	<u>-</u>
<u>\$ 9,878,817</u>	<u>(469,508,891)</u>	
<u>\$ -</u>		<u>(5,247,415)</u>
<u>\$ -</u>		<u>(5,247,415)</u>
	273,204,788	-
	92,384,846	-
	128,372,001	5,272,180
	6,100,264	-
	6,552,590	-
	<u>506,614,489</u>	<u>5,272,180</u>
	37,105,598	24,765
	855,202,251	2,099,655
	<u>\$ 892,307,849</u>	<u>\$ 2,124,420</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	ARRA Economic Stimulus Funds	Other Debt Service
Assets			
Cash and cash equivalents	\$ 73,024,901	\$ 126,629	\$ 45,985,452
Investments	-	-	3,045,658
Accounts receivable, net	347,507	-	-
Deposits receivable	-	-	-
Due from other funds	509,759	-	-
Due from other agencies	867,553	145,741	-
Inventory	2,492,937	-	-
Prepaid items	3,744,442	-	-
Note receivable	16,326,738	-	-
Restricted investments	-	-	2,254,063
Total assets	\$ 97,313,837	\$ 272,370	\$ 51,285,173
Liabilities and fund balances			
Liabilities:			
Salaries, benefits and payroll taxes payable	\$ 1,900,849	\$ 27,439	\$ -
Payroll deductions and withholdings	1,006,428	4,639	-
Accounts payable	3,742,151	103,286	-
Construction contracts payable	-	-	-
Construction contracts payable - retained percentage	-	-	-
Deposits payable	25,000	-	-
Due to other agencies	2,076,026	137,006	-
Due to other funds	-	-	-
Deferred revenue	16,434,800	-	-
Total liabilities	<u>25,185,254</u>	<u>272,370</u>	<u>-</u>
Fund balances:			
Reserved for:			
State Required Carryover Programs	781,131	-	-
Encumbrances	5,104,594	-	-
Inventory	646,083	-	-
Debt service	-	-	51,285,173
Unreserved:			
<i>Designated for, reported in:</i>			
Other Carryforward Projects	4,753,517	-	-
FTE Audits	550,000	-	-
State FTE and Revenue Shortfall	10,000,000	-	-
Class Size Reduction	2,800,000	-	-
Strategic and Contingency Reserve	17,000,000	-	-
Future Loss of ARRA Funding	13,000,000	-	-
<i>Undesignated, reported in:</i>			
General fund	17,493,258	-	-
Special revenue	-	-	-
Capital projects	-	-	-
Total fund balances	<u>72,128,583</u>	<u>-</u>	<u>51,285,173</u>
Total liabilities and fund balances	\$ 97,313,837	\$ 272,370	\$ 51,285,173

Capital Projects Funds			
Local Capital Improvement Tax	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 175,609,319	\$ 5,665,639	\$ 3,339,838	\$ 303,751,778
-	1,933,609	185,913	5,165,180
-	-	194,610	542,117
17,409	-	-	17,409
1,097,366	-	-	1,607,125
71,508	872,128	1,536,329	3,493,259
-	-	1,144,269	3,637,206
-	-	-	3,744,442
-	-	-	16,326,738
-	-	-	2,254,063
\$ 176,795,602	\$ 8,471,376	\$ 6,400,959	\$ 340,539,317
\$ 51,062	\$ -	\$ 333,183	\$ 2,312,533
15,590	-	98,458	1,125,115
679,149	40,940	464,145	5,029,671
837,932	-	-	837,932
2,044,282	3,405,700	-	5,449,982
-	-	-	25,000
26,071	-	289,792	2,528,895
-	1,097,366	509,759	1,607,125
-	-	513,969	16,948,769
3,654,086	4,544,006	2,209,306	35,865,022
-	-	-	781,131
23,615,747	543,111	199,842	29,463,294
-	-	1,144,269	1,790,352
-	-	185,913	51,471,086
-	-	-	4,753,517
-	-	-	550,000
-	-	-	10,000,000
-	-	-	2,800,000
-	-	-	17,000,000
-	-	-	13,000,000
-	-	-	17,493,258
-	-	2,661,629	2,661,629
149,525,769	3,384,259	-	152,910,028
173,141,516	3,927,370	4,191,653	304,674,295
\$ 176,795,602	\$ 8,471,376	\$ 6,400,959	\$ 340,539,317

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2010**

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

Ending fund balance - governmental funds	\$ 304,674,295
Note receivable amounts to be received in future years are accrued in the government-wide statements, but the receivable does not provide current financial resources and is not recognized in the governmental funds until available.	16,326,738
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,110,189,435
Other deferred charges are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,879,860
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.	12,441,447
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.	(8,936,947)
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	(6,477,326)
Certificates of participation payable	(513,665,788)
Compensated absences payable	(26,944,529)
Other post-employment benefits obligation	(179,336)
	<hr/>
Net assets of governmental activities	<u><u>\$ 892,307,849</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010**

	General Fund	ARRA Economic Stimulus Funds
Revenues		
Federal direct	\$ 456,491	\$ 166,059
Federal through state	1,676,069	24,185,558
State sources	68,573,662	-
Local sources	282,337,534	51,485
Total revenues	<u>353,043,756</u>	<u>24,403,102</u>
Expenditures		
Current:		
Instruction	209,670,608	21,030,522
Pupil personnel services	14,485,106	286,007
Instructional media services	5,248,822	20,553
Instruction and curriculum development services	4,799,596	516,016
Instructional staff training services	3,022,977	1,674,993
Instruction related technology	1,393,862	110,857
Board	1,146,967	-
General administration	1,489,852	245,475
School administration	26,498,986	296,824
Facilities acquisition and construction	778,245	-
Fiscal services	2,106,269	-
Food services	-	-
Central services	6,791,501	50,870
Pupil transportation services	15,998,009	57,299
Operation of plant	35,207,300	8,232
Maintenance of plant	16,617,021	-
Administrative technology services	2,473,196	-
Capital outlay:		
Facilities acquisition and construction	634,096	-
Other capital outlay	3,872,745	105,454
Debt service:		
Principal	-	-
Interest	-	-
Dues, fees and issuance costs	-	-
Total expenditures	<u>352,235,158</u>	<u>24,403,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>808,598</u>	<u>-</u>
Other financing sources (uses)		
Proceeds from the sale of capital assets	86,444	-
Loss recoveries	16,776	-
Transfers in	27,240,385	-
Transfers out	-	-
Total other financing sources (uses)	<u>27,343,605</u>	<u>-</u>
Net change in fund balances	28,152,203	-
Fund balance - beginning	<u>43,976,380</u>	<u>-</u>
Fund balance - ending	<u>\$ 72,128,583</u>	<u>\$ -</u>

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

Other Debt Service	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	Local Capital Improvement Tax	Other Capital Projects		
\$ -	\$ -	\$ -	\$ 5,131,831	\$ 5,754,381
-	-	-	43,496,035	69,357,662
-	-	127,496	2,667,843	71,369,001
375,633	94,649,883	9,442,405	9,442,056	396,298,996
375,633	94,649,883	9,569,901	60,737,765	542,780,040
-	-	-	23,272,901	253,974,031
-	-	-	4,098,431	18,869,544
-	-	-	46,696	5,316,071
-	-	-	4,576,416	9,892,028
-	-	-	3,524,703	8,222,673
-	-	-	56,787	1,561,506
-	-	-	-	1,146,967
-	-	-	898,207	2,633,534
-	-	-	164,035	26,959,845
-	7,855,730	2,304,398	-	10,938,373
-	-	-	-	2,106,269
-	-	-	18,113,794	18,113,794
-	-	-	346,938	7,189,309
-	-	-	823,858	16,879,166
-	-	-	52,215	35,267,747
-	-	-	10,308	16,627,329
-	-	-	-	2,473,196
-	24,568,933	19,615,360	1,125,156	45,943,545
-	-	-	207,072	4,185,271
-	-	-	-	-
19,325,000	-	-	710,000	20,035,000
25,014,154	-	-	354,250	25,368,404
53,995	-	-	1,586	55,581
44,393,149	32,424,663	21,919,758	58,383,353	533,759,183
(44,017,516)	62,225,220	(12,349,857)	2,354,412	9,020,857
-	-	-	-	86,444
-	-	-	-	16,776
49,636,577	-	-	-	76,876,962
-	(67,433,754)	(8,836,577)	(606,631)	(76,876,962)
49,636,577	(67,433,754)	(8,836,577)	(606,631)	103,220
5,619,061	(5,208,534)	(21,186,434)	1,747,781	9,124,077
45,666,112	178,350,050	25,113,804	2,443,872	295,550,218
\$ 51,285,173	\$ 173,141,516	\$ 3,927,370	\$ 4,191,653	\$ 304,674,295

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, 2010**

Net change in fund balances - total governmental funds	\$ 9,124,077
Amounts reported for governmental activities in the statement of activities are different because:	
Note receivable amounts to be received in future years are not available to liquidate liabilities in the governmental funds and are reported as deferred revenue until amounts are available, but are accrued in the government-wide statements when earned.	(1,890,026)
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 of depreciation expense in excess of capital outlays in the current period:	
Capital outlays net of amounts not capitalized	\$ 49,520,410
Depreciation expense	<u>(35,511,714)</u>
	14,008,696
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.	(1,340,264)
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	443,887
Repayment of certificates of participation and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	20,035,000
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.	314,861
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.	73,685
Other post-employment benefits are recognized as an expenditure in the governmental funds when paid, but are recognized when accrued in the government-wide statements.	(51,790)
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.	(986,823)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.	<u>(2,625,705)</u>
Change in net assets of governmental activities	<u>\$ 37,105,598</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Net Assets
Proprietary Funds
June 30, 2010**

	Governmental Activities Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	\$ 24,804,990
Due from other agencies	17,077
Total current assets	24,822,067
Total assets	\$ 24,822,067
Liabilities and net assets	
Current liabilities	
Accounts payable	318,218
Salaries, benefits and payroll taxes payable	9,538
Payroll deductions and withholdings	3,935
Due to other agencies	70,929
Estimated unpaid claims	8,273,000
Total current liabilities	8,675,620
Noncurrent liabilities	
Estimated liability for long-term claims	3,705,000
Total noncurrent liabilities	3,705,000
Total liabilities	12,380,620
Net assets	
Unrestricted	12,441,447
Total net assets	12,441,447
Total liabilities and net assets	\$ 24,822,067

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010**

	Governmental Activities Internal Service Funds
Operating revenues	
Premium revenues	\$ 40,795,572
Total operating revenues	<u>40,795,572</u>
Operating expenses	
Salaries	364,370
Employee benefits	102,098
Purchased services	3,158,664
Materials and supplies	28,166
Capital outlay	2,544
Other expenses	40,255,807
Total operating expenses	<u>43,911,649</u>
Operating loss	<u>(3,116,077)</u>
Nonoperating revenue	
Investment earnings	490,372
Total nonoperating revenue	<u>490,372</u>
Change in net assets	(2,625,705)
Total net assets - beginning	<u>15,067,152</u>
Total net assets - ending	<u>\$ 12,441,447</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

	Governmental Activities Internal Service Funds
Operating activities	
Cash received from customers	\$ 40,780,349
Payments to suppliers	(3,163,314)
Payments to employees	(466,392)
Other payments	(40,569,543)
Net cash used in operating activities	(3,418,900)
Investing activities	
Proceeds from the sale of investments	1,388,841
Interest and dividends received	81,973
Net cash provided by investing activities	1,470,814
Net decrease in cash and cash equivalents	(1,948,086)
Cash and cash equivalents	
Beginning of year	26,753,076
End of year	\$ 24,804,990
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (3,116,077)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities	
Accounts receivable	125
Due from other agencies	(15,348)
Accounts payable	26,060
Salaries, benefits and payroll taxes payable	(87)
Payroll deductions and withholdings	163
Due to other agencies	(3,736)
Estimated unpaid claims	(310,000)
Total adjustments	(302,823)
Net cash provided by operating activities	\$ (3,418,900)

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010**

	Agency Funds
Assets	<u> </u>
Cash and cash equivalents	\$ 3,603,283
Total assets	<u><u>\$ 3,603,283</u></u>
Liabilities	
Internal accounts payable	\$ 3,603,283
Total liabilities	<u><u>\$ 3,603,283</u></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, 2010

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. (Foundation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Collier County District School Board and the Foundation, the financial activities of the Foundation are included in the accompanying basic financial statements. Separate financial statements for the Foundation are not published.
- Discretely Presented Component Units. The component units columns in the government-wide financial statements include the financial data of the District's other component units. The Marco Island Charter Middle School, Inc., and the RCMA Immokalee Community School (Charter Schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes the Florida Not for Profit Corporation Act and Section 1002.33, Florida Statutes. The Charter Schools operate under charters approved by their sponsor, the Collier County District School Board and are considered component units because they are fiscally dependent on the District to levy taxes for their support.
- The financial data reported on the accompanying statements was derived from the Charter Schools' audited financial statements for the fiscal year ended June 30, 2010. The audit reports are filed in the District's administrative offices.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

➤ **Basis of Presentation**

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

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

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

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

The District reports the following major governmental funds:

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

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- Capital Projects – Other Fund – to account for the financial resources from various State and local sources to be used for capital outlay needs, including projects financed with proceeds from the issuance of certificates of participation.

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

- Internal Service Funds – to account for the District’s individual self-insurance programs and employee benefits plan.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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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 non operating 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 non operating revenues and expenses.

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

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

➤ **Deposits and Investments**

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

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

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

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010 are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of .67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

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

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➤ **Inventories**

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

➤ **Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5-20 years
Motor Vehicles	5-10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond and certificates of participation (COPS) premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and certificates of participation liabilities are reported net of the applicable bond premium or discount and costs resulting from refundings.

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

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

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

➤ **State Revenue Sources**

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

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

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

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

➤ **District Property Taxes**

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

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

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The School Board adopted the 2009 tax levy on September 17, 2009. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration:		
Local Government Surplus Funds Trust (Fund B)	8.05 Average	\$ 4,979,267
Debt Service Accounts	6 Months	185,913
Master Repurchase Agreement with Bank of America	November 18, 2002 (A)	2,254,063
Total Investments, Reporting Entity		<u>\$ 7,419,243</u>
<u>Investments Reported As Cash Equivalent</u>		
State Board of Administration:		
Local Government Surplus Funds Trust Prime Funds	46 Day Average	<u>\$ 74,911,248</u>

Footnotes:

- (A) The 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 US Bank in US Treasury Inflation Protected Securities for \$2,713,764. See Note 6.

Interest Rate Risk

- The District's investment policy limits investments of current short-term funds to a maximum of 12 months. Investments of bond reserves, construction monies, and other core funds shall have a term appropriate to the need for monies, and in accordance with debt covenants, but in no event shall exceed three years.
- LGIP Prime Fund had a weighted average days to maturity (WAM) of 46 days at June 30, 2010 and is reported as a cash equivalent. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

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Credit Risk

- Section 218.415(16), Florida Statutes, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; Federal agencies and instrumentalities; rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel; securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; and other investments authorized by law or by resolution for a school district or a special district.
- The District's investment policy limits investments to the LGIP; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and local government series; obligations of United States Government Agencies and Instrumentalities; SEC registered money market funds with the highest rating and in compliance with 17 CFR 270.2a-7 of the Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit in State qualified public depositories; and other investments permitted by the State statute and not prohibited by this policy.
- The District's investments in SBA Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing credit risk for this account.
- As of June 30, 2010, the District's investment in LGIP Prime Fund is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investment in a Master Repurchase Agreement with the Bank of America is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds (QZAB) paying agent. The forward delivery agreement authorizes the investment of available sinking fund amounts in certain eligible securities, including, without limitation, direct obligations of the Department of the Treasury of the United States of America, and obligations of the following federal agencies, which obligations represent the full faith and credit of the United States of America: Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing and Urban Development (HUD) and Federal Housing Administration (FHA).

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Custodial Credit Risk

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

4. NOTE RECEIVABLE

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

The note receivable at June 30, 2010 is \$16,326,738 as shown in the schedule below:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,811,853	\$ 1,989,443	\$ 822,410
2012	2,811,853	2,094,087	717,766
2013	2,811,853	2,204,236	607,617
2014	2,811,853	2,320,178	491,675
2015	2,811,853	2,442,219	369,634
2016-17	5,623,706	5,276,575	347,131
Total	<u>\$ 19,682,971</u>	<u>\$ 16,326,738</u>	<u>\$ 3,356,233</u>

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5. CHANGE IN CAPITAL ASSETS

Changes in Capital Assets are presented in the table below. Threshold for reporting assets is \$1,000.

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 84,835,233	\$ 510,644	\$ -	\$ 85,345,877
Land Improvements - Nondepreciable	32,629,400	1,373,719	-	34,003,119
Construction in Progress	276,950,674	33,889,703	197,407,435	113,432,942
Total Assets	394,415,307	35,774,066	197,407,435	232,781,938
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,888,765	6,795,799	18,500	31,666,064
Buildings and Fixed Equipment	904,493,398	198,294,084	5,427,626	1,097,359,856
Furniture, Fixtures and Equipment	58,475,235	5,119,542	3,596,403	59,998,374
Motor Vehicles	31,804,977	443,815	1,385,217	30,863,575
Audio Visual Materials	63,476	-	6,474	57,002
Computer Software	14,826,341	500,539	659,098	14,667,782
Total Capital Assets Being Depreciated	1,034,552,192	211,153,779	11,093,318	1,234,612,653
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,363,114	1,852,775	3,854	6,212,035
Buildings and Fixed Equipment	257,022,599	22,192,904	4,296,823	274,918,680
Furniture, Fixtures, and Equipment	42,744,666	6,253,586	3,486,949	45,511,303
Motor Vehicles	17,589,159	2,942,786	1,322,070	19,209,875
Audio Visual Materials	63,279	197	6,474	57,002
Computer Software	9,663,679	2,269,466	636,884	11,296,261
Total Accumulated Depreciation	331,446,496	35,511,714	9,753,054	357,205,156
Total Capital Assets Being Depreciated, Net	703,105,696	175,642,065	1,340,264	877,407,497
Governmental Activities Capital Assets, Net	\$ 1,097,521,003	\$ 211,416,131	\$ 198,747,699	\$ 1,110,189,435

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 17,367,715
Pupil Personnel Services	105,033
Instructional Media Services	6,111
Instructional and Curriculum Development Services	153,322
Instruction Staff Training Services	69,838
Board of Education	28,658
General Administration	32,877
School Administration	467,367
Facilities Acquisition and Construction	15,884,957
Fiscal Services	28,798
Food Services	74,587
Central Services	309,926
Pupil Transportation Services	603,316
Operation of Plant	14,664
Maintenance of Plant	244,988
Administrative Technology Services	119,557
Total Depreciation Expense - Governmental Activities	<u>\$ 35,511,714</u>

6. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2010, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 1995 (Partially Refunded)	\$ 12,500,000	6.25	2013	\$ 57,000,000
Series 2001A, Refunding	2,875,000	5.5	2012	27,375,000
Series 2001B, Refunding	6,910,000	5.5	2013	19,995,000
Series 2002 (Partially Refunded)	33,895,000	3.500-5.375	2022	167,585,000
Series 2002A, Refunding	2,430,000	3.5-5.0	2012	20,445,000
Series 2005, Refunding	38,585,000	2.8-5.0	2016	40,485,000
Series 2005A, Refunding	106,345,000	5.25	2022	106,345,000
Series 2005-QZAB	4,192,000	None	2022	4,192,000
Series 2006	207,405,000	3.875-5.000	2026	221,470,000
Series 2007	87,470,000	4.0-5.0	2027	96,205,000
Subtotal	<u>502,607,000</u>			
Plus: Unamortized Premiums	19,426,648			
Less: Unamortized Costs on Refunding	(8,367,860)			
	<u>\$ 513,665,788</u>			

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

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

The District properties included in the various ground leases under this arrangement include Immokalee Middle School, Lely Elementary School, Lake Trafford Elementary School, Vineyards Elementary School, Laurel Oak Elementary School, Oakridge Middle School, Barron Collier High School, Pine Ridge Middle School, Highlands Elementary School, Manatee Middle School, Manatee Elementary School, Gulfview Middle School, Immokalee High School, Lorenzo Walker Institute of Technology, Everglades City School, Gulf Coast High School, Pelican Marsh Elementary School, Calusa Park Elementary School, Sabal Palm 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, Palmetto Elementary School, Parkside Elementary School, Eden Park Elementary School, Marco Charter Middle School, Elementary "L" School, Immokalee Technical Center, Naples High School Gymnasium, and Lorenzo Walker Technical High School.

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

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

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

Fiscal Year Ending June 30	Total	Premium	Interest
2011	\$ 44,322,856	\$ 20,160,000	\$ 24,162,856
2012	44,944,228	21,600,000	23,344,228
2013	45,005,176	22,670,000	22,335,176
2014	44,955,339	23,755,000	21,200,339
2015	44,989,801	24,820,000	20,169,801
2016-2019	180,485,301	111,965,000	68,520,301
2020-2023	185,354,950	140,757,000	44,597,950
2024-2027	152,077,400	136,880,000	15,197,400
Total Minimum Lease Payments	<u>742,135,051</u>	<u>502,607,000</u>	<u>239,528,051</u>
Plus: Unamortized Premiums	19,426,648	19,426,648	-
Less: Unamortized Costs on Refunding	<u>(8,367,860)</u>	<u>(8,367,860)</u>	<u>-</u>
Total Certificates of Participation	<u>\$ 753,193,839</u>	<u>\$ 513,665,788</u>	<u>\$ 239,528,051</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 District's financial statements. On June 30, 2010, a portion of the COPS Series 2002, totaling \$109,685,000, are outstanding and are considered defeased.

7. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 4,005,000	5.0	2017
Series 2005B, Refunding	2,370,000	5.0	2018
Total Minimum Principal Payments	<u>6,375,000</u>		
Plus: Unamortized Premiums	177,777		
Less: Unamortized Costs of Refundings	<u>(75,451)</u>		
Total Bonds Payable	<u>\$ 6,477,326</u>		

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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. The total revenues received in the current fiscal year were \$185,913, of which all related to debt service.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	\$ 1,063,750	\$ 745,000	\$ 318,750
2012	1,061,500	780,000	281,500
2013	1,062,500	820,000	242,500
2014	1,061,500	860,000	201,500
2015	1,068,500	910,000	158,500
2016-2018	<u>2,454,750</u>	<u>2,260,000</u>	<u>194,750</u>
Total Minimum Bond Payments	7,772,500	6,375,000	1,397,500
Plus: Unamortized Premium	177,777	177,777	-
Less: Unamortized Costs on Refunding	<u>(75,451)</u>	<u>(75,451)</u>	<u>-</u>
Total State School Bonds	<u>\$ 7,874,826</u>	<u>\$ 6,477,326</u>	<u>\$ 1,397,500</u>

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8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 521,932,000	\$ -	\$ 19,325,000	\$ 502,607,000	\$ 20,160,000
Unamortized Premiums	21,358,631	-	1,931,983	19,426,648	1,931,983
Less: Unamortized Costs and Refundings	(9,393,098)	-	(1,025,238)	(8,367,860)	(1,025,238)
Certificates of Participation Payable, Net	533,897,533	-	20,231,745	513,665,788	21,066,745
Bonds Payable	7,085,000	-	710,000	6,375,000	745,000
Unamortized Premium	203,174	-	25,397	177,777	25,397
Less: Unamortized Costs on Refundings	(86,230)	-	(10,779)	(75,451)	(10,779)
Bonds Payable, Net	7,201,944	-	724,618	6,477,326	759,618
Other Postemployment Benefits Payable	127,546	408,225	356,435	179,336	-
Estimated Insurance Claims Payable	12,288,000	40,160,885	40,470,885	11,978,000	8,273,000
Compensated Absences Payable	25,957,706	14,375,102	13,388,279	26,944,529	14,375,102
Arbitrage Rebate Liability	73,685	-	73,685	-	-
Total Governmental Activities	\$ 579,546,414	\$ 54,944,212	\$ 75,245,647	\$ 559,244,979	\$ 44,474,465

For the governmental activities, compensated absences and postemployment healthcare benefits are generally liquidated with resources of the General Fund. Estimated insurance claims are generally liquidated with resources of the internal service funds, as discussed in Note 16.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 509,759	\$ -
Capital Projects:		
Local Capital Improvement Tax	1,097,366	
Other Capital	-	1,097,366
Nonmajor Governmental:		
Special Revenue	-	509,759
Total	\$ 1,607,125	\$ 1,607,125

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At year-end, the District had expenditures in its Non-major 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 COP projects that had not been reimbursed by the District’s trustee bank. These expenditures were paid from the Capital Project – Local Improvement Fund.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 27,240,385	\$ -
Debt Service	49,636,577	
Capital Projects		
Local Capital Improvement Tax		67,433,754
Other		8,836,577
Nonmajor Governmental Funds		
PECO		606,631
Total	<u>\$ 76,876,962</u>	<u>\$ 76,876,962</u>

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

10. 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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund, which is considered a major fund, are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for American Recovery and Reinvestment Act Economic Stimulus Funds total \$12,873 and purchase orders outstanding for other non major Special Revenue Funds total \$193,474 at June 30, 2010.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2009-10 fiscal year:

<u>Source</u>	<u>Amount</u>
Class Size Reduction	\$ 48,924,818
Florida Education Finance Program	7,842,564
Work Force Development	6,405,990
Voluntary Pre-K	2,224,411
School Recognition	2,169,251
Motor Vehicle License Tax (Capital Outlay and Debt Service	1,755,378
Public Ed Capital Outlay PECO	606,631
Racing Commission Funds	446,500
Food Service Supplement	273,005
Miscellaneous State Revenue	241,575
Discretionary Lottery Funds	126,675
Charter School Cap O/L Funding	111,653
State License Tax	98,885
Workforce Perf. Base Initiat.	89,174
Adult Handicapped	40,731
State Forest Funds	11,760
TOTAL	<u>\$ 71,369,001</u>

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

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	2.991	\$ 215,337,730
Basic Discretionary Local Effort	0.676	48,668,775
Voter Referendum Operating	0.25	17,998,807
 <u>CAPITAL PROJECTS FUND</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.322</u>	<u>95,177,693</u>
 Total	<u>5.239</u>	<u>\$ 377,183,005</u>

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13. FLORIDA RETIREMENT SYSTEM

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 1068 District participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$4,464,948.

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FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

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

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

(B) Contribution rates are dependent upon retirement class in which

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended, June 30, 2008, June 30, 2009, and June 30, 2010 totaled \$25,471,888, \$24,164,654, and \$24,340,305, respectively, which were equal to the required contributions for each fiscal year.

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

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's self-insured health and hospitalization plan for medical and prescription drug benefits and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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average than those of active employees. The District does not offer any explicit subsidy for retiree coverage. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Post Employment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you go basis. For the 2009-10 fiscal year, 160 retirees received postemployment health care benefits, and 204 retirees received postemployment life insurance benefits. The District provided required contributions of \$356,435 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 \$1,373,325.

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:

Description	Amount
Normal Cost (service cost for one year)	\$ 211,902
Amortization of Unfunded Actuarial Accrued Liability	192,881
Interest on Normal Cost and Amortization	5,933
Annual Required Contribution	410,716
Interest on Net OPEB Obligation	3,826
Adjustment to Annual Required Contribution	(6,317)
Annual OPEB Cost (Expense)	408,225
Contribution Toward the OPEB Cost	(356,435)
Increase in Net OPEB Obligation	51,790
Net OPEB Obligation, Beginning of Year	127,546
Net OPEB Obligation, End of Year	\$ 179,336

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
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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, 2010, and the preceding four years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/07	\$ -	0%	\$ -
2007-08	492,928	51.8%	232,811
2008-09	209,570	150.2%	127,546
2009-10	408,225	87.3%	179,336

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$3,893,973, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,893,973 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$238,232,373 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District used the unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2010, as well as the District's 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 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 2009-10 fiscal year, reduced to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 27 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 Amount	Completed to Date	Balance Committed
East Naples Middle School			
Renovations			
Contractor (Owen Ames Kimball)	\$ 4,434,110	\$ 2,438,866	\$ 1,995,244
Architect/Engineer (Schenkel Shultz)	397,110	364,011	33,099
Immokalee High School			
Additions/Renovations			
Contractor (Kraft Construction)	18,912,917	18,139,544	773,373
Architect/Engineer (Schenkel Shultz)	1,720,396	1,690,010	30,386
Lely High School			
HVAC Renovation			
Contractor (Kraft Construction)	6,110,584	-	6,110,584
Architect/Engineer (TLC)	363,230	220,409	142,821
Naples High School			
HVAC Renovation			
Contractor (Kraft Construction)	7,075,299	5,481,120	1,594,179
Architect/Engineer (TLC)	372,500	334,875	37,625
Athletic Improvements			
Contractor (Lodge Construction)	11,549,210	10,055,647	1,493,563
Synthetic Turn			
Golden Gate High School			
Contractor (Prograss)	597,591	-	597,591
Palmetto Ridge High School			
Contractor (Prograss)	690,290	-	690,290
TOTAL	\$ 52,223,236	\$ 38,724,481	\$ 13,498,755

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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 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 \$11,978,000 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, 2010.

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

	Beginning-of- Fiscal-Year Liability	Curren Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2008-09	\$ 12,334,000	\$ 41,182,723	\$ (41,228,723)	\$ 12,288,000
2009-10	12,288,000	40,160,885	(40,470,885)	11,978,000

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.

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17. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2009-10 fiscal year.

	Total	Group Health Insurance	Workers' Compensation Insurance	Employee Benefit Plan
Total Assets	\$ 24,822,067	\$ 10,293,223	\$ 14,100,352	\$ 428,492
Liabilities and Net Assets:				
Accounts Payable	\$ 318,218	\$ 294,732	\$ 22,507	\$ 979
Salaries and Wages Payable	9,538	6,637	2,901	-
Payroll Deductions and Withholdings Payables	3,935	2,818	1,117	-
Due to Other Agencies	70,929	39,502	15,137	16,290
Estimated Insurance Claims Payable	11,978,000	5,325,000	6,653,000	-
Unrestricted Net Assets	12,441,447	4,624,533	7,405,691	411,223
Total Liabilities and Net Assets	<u>\$ 24,822,067</u>	<u>\$ 10,293,222</u>	<u>\$ 14,100,353</u>	<u>\$ 428,492</u>
Revenues:				
Premium Contributions	\$ 35,009,695	\$ 31,898,311	\$ 2,561,188	\$ 550,196
Paid by Employees	4,520,357	3,227,528	-	1,292,829
Paid by Retirees	1,265,521	1,264,255	-	1,266
Interest Income	81,972	36,245	44,436	1,291
Investment Earnings	408,399	-	408,399	-
Total Revenues	41,285,944	36,426,339	3,014,023	1,845,582
Total Expenses	(43,911,649)	(40,721,294)	(1,252,066)	(1,938,289)
Change in Net Assets	<u>\$ (2,625,705)</u>	<u>\$ (4,294,955)</u>	<u>\$ 1,761,957</u>	<u>\$ (92,707)</u>

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18. FUND BALANCE DESIGNATIONS

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

- Designated for Strategic Reserve: Pursuant to Board Policy 6210, the Board has set a goal of four percent of annual resources designated as a strategic reserve. The strategic reserve shall only be utilized by a supermajority vote from members of the Board. As of June 30, 2010, the District had designated \$12,500,000 as a strategic reserve.
- Designated for Contingency Reserve: Pursuant to Board Policy 6210, the Board has set a goal of one percent of annual resources designated as a contingency reserve. The Superintendent has the authority to utilize the contingency reserve, and is required to report such use to the Board at a subsequent Board meeting. As of June 30, 2010, the District had \$4,500,000 designated as a contingency reserve.
- Two new designated reserves were added this year. The first was a new reserve for Class Size Reduction, in the amount of \$2,800,000, to facilitate future compliance with Florida's Constitutional Amendment. The second new reserve, in the amount of \$13,000,000, was established to partially offset the future loss of \$15,500,000 State Fiscal Stabilization Funding (SFSF). In FY10 the state used Federal funds from the American Reinvestment and Recovery Act (ARRA) to support a portion of the FEFP that could not be funded with state revenues due to adverse economic times. The State Fiscal Stabilization Funding is for two years and will expire on June 30, 2011. The District will face a significant reduction in resources if the State of Florida is unable to replace this funding. The District's reserve was established to offset a portion of this potential loss of funds.
- Designated for Local Carryover Projects: The District designated \$4,753,517 for various program balances not restricted by the State, workforce programs, and various school and department budget carry forwards.
- The District continued to designate \$550,000 for pending FTE audit adjustments.
- The District also designated a reserve for State Revenue Shortage in the amount of \$8,000,000 and FTE Shortfall in the amount of \$2,000,000.

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, 2010**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Federal direct	\$ 400,000	\$ 456,491	\$ 456,491	\$ -
Federal through state	700,000	1,676,069	1,676,069	-
State sources	67,624,317	68,573,662	68,573,662	-
Local sources	276,026,154	282,337,534	282,337,534	-
Total revenues	<u>344,750,471</u>	<u>353,043,756</u>	<u>353,043,756</u>	<u>-</u>
Expenditures				
Current:				
Instruction	228,806,062	213,548,178	209,670,608	3,877,570
Pupil personnel services	15,234,831	16,988,439	14,485,106	2,503,333
Instructional media services	5,494,652	5,297,479	5,248,822	48,657
Instruction and curriculum development services	4,617,548	4,832,011	4,799,596	32,415
Instructional staff training services	3,317,016	3,958,824	3,022,977	935,847
Instruction related technology	1,618,571	1,394,119	1,393,862	257
Board	2,051,722	2,016,074	1,146,967	869,107
General administration	1,557,481	1,524,337	1,489,852	34,485
School administration	29,316,874	27,771,118	26,498,986	1,272,132
Facilities acquisition and construction	1,831,404	1,250,612	778,245	472,367
Fiscal services	2,278,992	2,320,673	2,106,269	214,404
Central services	7,088,737	7,781,124	6,791,501	989,623
Pupil transportation services	19,719,828	18,498,898	15,998,009	2,500,889
Operation of plant	41,713,326	37,522,861	35,207,300	2,315,561
Maintenance of plant	16,311,834	16,841,313	16,617,021	224,292
Administrative technology services	2,627,289	2,529,450	2,473,196	56,254
Community services	4,693	-	-	-
Capital outlay:				
Facilities acquisition and construction	-	634,096	634,096	-
Other capital outlay	-	3,872,745	3,872,745	-
Total expenditures	<u>383,590,860</u>	<u>368,582,351</u>	<u>352,235,158</u>	<u>16,347,193</u>
Deficiency of revenues under expenditures	<u>(38,840,389)</u>	<u>(15,538,595)</u>	<u>808,598</u>	<u>16,347,193</u>
Other financing sources (uses)				
Proceeds from the Sale of Capital Assets	10,000	86,444	86,444	
Loss recoveries	1,500	16,776	16,776	-
Transfers in	29,746,560	27,240,385	27,240,385	-
Total other financing sources (uses)	<u>29,758,060</u>	<u>27,343,605</u>	<u>27,343,605</u>	<u>-</u>
Net change in fund balance	<u>(9,082,329)</u>	<u>11,805,010</u>	<u>28,152,203</u>	<u>16,347,193</u>
Fund balance - beginning	<u>43,976,380</u>	<u>43,976,380</u>	<u>43,976,380</u>	<u>-</u>
Fund balance - ending	<u>\$ 34,894,051</u>	<u>\$ 55,781,390</u>	<u>\$ 72,128,583</u>	<u>\$ 16,347,193</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Major Special Revenue Fund
Year Ended June 30, 2010**

	ARRA Economic Stimulus Funds			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Federal direct	\$ -	\$ -	\$ 166,059	\$ 166,059
Federal through state	32,862,671	32,817,208	24,185,558	(8,631,650)
Local sources	-	-	51,485	51,485
Total revenues	<u>32,862,671</u>	<u>32,817,208</u>	<u>24,403,102</u>	<u>(8,414,106)</u>
Expenditures				
Current:				
Instruction	26,562,429	26,189,682	21,030,522	5,159,160
Pupil personnel services	656,038	1,275,000	286,007	988,993
Instructional media services	-	20,553	20,553	-
Instruction and curriculum development service	1,354,888	858,992	516,016	342,976
Instructional staff training services	3,323,754	2,899,364	1,674,993	1,224,371
Instruction related technology	125,180	125,134	110,857	14,277
General administration	476,189	470,997	245,475	225,522
School administration	7,214	599,251	296,824	302,427
Central services	133,806	136,973	50,870	86,103
Pupil transportation services	174,293	127,576	57,299	70,277
Operation of plant	9,000	8,232	8,232	-
Capital outlay:				
Other capital outlay	-	105,454	105,454	-
Total expenditures	<u>32,862,671</u>	<u>32,817,208</u>	<u>24,403,102</u>	<u>8,414,106</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT BENEFITS PLAN
Year Ended June 30, 2010**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2007	\$ -	\$ 3,988,037	\$ 3,988,037	0%	\$ 271,632,533	1.5%
July 1, 2008	-	3,451,606	3,451,606	0%	253,016,208	1.4%
July 1, 2009	-	3,893,973	3,893,973	0%	238,232,373	1.6%

OTHER SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,339,838	\$ -	\$ -	\$ 3,339,838
Investments	-	185,913	-	185,913
Accounts receivable, net	194,610	-	-	194,610
Due from other agencies	1,536,329	-	-	1,536,329
Inventory	1,144,269	-	-	1,144,269
Total assets	\$ 6,215,046	\$ 185,913	\$ -	\$ 6,400,959
Liabilities and fund balances				
Liabilities:				
Salaries, benefits and payroll taxes payable	\$ 333,183	\$ -	\$ -	\$ 333,183
Payroll deductions and withholdings	98,458	-	-	98,458
Accounts payable	464,145	-	-	464,145
Due to other agencies	289,792	-	-	289,792
Due to internal funds	509,759	-	-	509,759
Deferred revenue	513,969	-	-	513,969
Total liabilities	2,209,306	-	-	2,209,306
Fund balances:				
Reserved for:				
Retirement of long-term debt	-	-	-	-
Categorical carryover programs	-	-	-	-
Encumbrances	199,842	-	-	199,842
Inventory	1,144,269	-	-	1,144,269
Retirement of long-term debt	-	185,913	-	185,913
Unreserved:				
Special revenue	2,661,629	-	-	2,661,629
Debt service	-	-	-	-
Capital Projects	-	-	-	-
Total fund balances	4,005,740	185,913	-	4,191,653
Total liabilities and fund balances	\$ 6,215,046	\$ 185,913	\$ -	\$ 6,400,959

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Federal direct	\$ 5,131,831	\$ -	\$ -	\$ 5,131,831
Federal through state	43,496,035	-	-	43,496,035
State sources	331,870	1,047,600	1,288,373	2,667,843
Local sources	9,441,869	-	187	9,442,056
Total revenues	<u>58,401,605</u>	<u>1,047,600</u>	<u>1,288,560</u>	<u>60,737,765</u>
Expenditures				
Current:				
Instruction	23,272,901	-	-	23,272,901
Pupil personnel services	4,098,431	-	-	4,098,431
Instructional media services	46,696	-	-	46,696
Instruction and curriculum development services	4,576,416	-	-	4,576,416
Instructional staff training services	3,524,703	-	-	3,524,703
Instruction related technology	56,787	-	-	56,787
General administration	898,207	-	-	898,207
School administration	164,035	-	-	164,035
Food services	18,113,794	-	-	18,113,794
Central services	346,938	-	-	346,938
Pupil transportation services	823,858	-	-	823,858
Operation of plant	52,215	-	-	52,215
Maintenance of plant	10,308	-	-	10,308
Capital outlay:				
Facilities acquisition and construction	-	-	1,125,156	1,125,156
Other capital outlay	207,072	-	-	207,072
Debt service:				
Principal	-	710,000	-	710,000
Interest	-	354,250	-	354,250
Issue costs	-	740	846	1,586
Total expenditures	<u>56,192,361</u>	<u>1,064,990</u>	<u>1,126,002</u>	<u>58,383,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,209,244</u>	<u>(17,390)</u>	<u>162,558</u>	<u>2,354,412</u>
Other financing sources				
Transfers out	-	-	(606,631)	(606,631)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(606,631)</u>	<u>(606,631)</u>
Net change in fund balances	2,209,244	(17,390)	(444,073)	1,747,781
Fund balance - beginning	<u>1,796,496</u>	<u>203,303</u>	<u>444,073</u>	<u>2,443,872</u>
Fund balance - ending	<u>\$ 4,005,740</u>	<u>\$ 185,913</u>	<u>\$ -</u>	<u>\$ 4,191,653</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010**

	<u>Food Service</u>	<u>Other Federal Programs</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets			
Cash and cash equivalents	\$ 3,106,545	\$ 233,293	\$ 3,339,838
Accounts receivable, net	194,610	-	194,610
Due from other agencies	2,816	1,533,513	1,536,329
Inventory	1,144,269	-	1,144,269
Total assets	\$ 4,448,240	\$ 1,766,806	\$ 6,215,046
Liabilities and fund balances			
Liabilities:			
Salaries, benefits and payroll taxes payable	\$ 29,728	303,455	\$ 333,183
Payroll deductions and withholdings	9,664	88,794	98,458
Accounts payable	203,964	260,181	464,145
Due to other agencies	64,945	224,847	289,792
Due to other funds	-	509,759	509,759
Deferred revenue	134,199	379,770	513,969
Total liabilities	442,500	1,766,806	2,209,306
Fund balances:			
Reserved for:			
Encumbrances	199,842	-	199,842
Inventory	1,144,269	-	1,144,269
Unreserved:			
Special revenue	2,661,629	-	2,661,629
Total fund balances	4,005,740	-	4,005,740
Total liabilities and fund balances	\$ 4,448,240	\$ 1,766,806	\$ 6,215,046

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, 2010**

	Food Service	Other Federal Programs	Total Nonmajor Special Revenue Funds
Revenues			
Federal direct	\$ -	\$ 5,131,831	\$ 5,131,831
Federal through state	14,157,375	29,338,660	43,496,035
State sources	275,972	55,898	331,870
Local sources	5,951,519	3,490,350	9,441,869
Total revenues	<u>20,384,866</u>	<u>38,016,739</u>	<u>58,401,605</u>
Expenditures			
Current:			
Instruction	-	23,272,901	23,272,901
Pupil personnel services	-	4,098,431	4,098,431
Instructional media services	-	46,696	46,696
Instruction and curriculum development services	-	4,576,416	4,576,416
Instructional staff training services	-	3,524,703	3,524,703
Instruction related technology	-	56,787	56,787
General administration	-	898,207	898,207
School administration	-	164,035	164,035
Food services	18,113,794	-	18,113,794
Central services	-	346,938	346,938
Pupil transportation services	-	823,858	823,858
Operation of plant	-	52,215	52,215
Maintenance of plant	-	10,308	10,308
Capital outlay:			
Other capital outlay	61,828	145,244	207,072
Total expenditures	<u>18,175,622</u>	<u>38,016,739</u>	<u>56,192,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,209,244</u>	<u>-</u>	<u>2,209,244</u>
Net change in fund balances	2,209,244	-	2,209,244
Fund balance - beginning	<u>1,796,496</u>	<u>-</u>	<u>1,796,496</u>
Fund balance - ending	<u>\$ 4,005,740</u>	<u>\$ -</u>	<u>\$ 4,005,740</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2010**

	<u>State Board of Education</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets		
Investments	\$ 185,913	\$ 185,913
Total assets	<u>\$ 185,913</u>	<u>\$ 185,913</u>
Fund balances		
Fund balances:		
Reserved for:		
Debt service	\$ 185,913	\$ 185,913
Total fund balances	<u>185,913</u>	<u>185,913</u>
Total fund balances	<u>\$ 185,913</u>	<u>\$ 185,913</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, 2010**

	<u>State Board of Education</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues		
State sources	\$ 1,047,600	\$ 1,047,600
Total revenues	<u>1,047,600</u>	<u>1,047,600</u>
Expenditures		
Debt service:		
Principal	710,000	710,000
Interest	354,250	354,250
Issue costs	740	740
Total expenditures	<u>1,064,990</u>	<u>1,064,990</u>
Deficiency of revenues under expenditures	<u>(17,390)</u>	<u>(17,390)</u>
Net change in fund balances	(17,390)	(17,390)
Fund balance - beginning	<u>203,303</u>	<u>203,303</u>
Fund balance - ending	<u>\$ 185,913</u>	<u>\$ 185,913</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2010**

	<u>Public Education Capital Outlay (PECO)</u>	<u>Capital Outlay and Debt Service (CO & DS)</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and fund balances			
Fund balances:			
Unreserved:			
Capital projects	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2010**

	Public Education Capital Outlay (PECO)	Capital Outlay and Debt Service (CO & DS)	Total Nonmajor Capital Projects Funds
Revenues			
State sources	\$ 606,631	\$ 681,742	\$ 1,288,373
Local sources	-	187	187
Total revenues	<u>606,631</u>	<u>681,929</u>	<u>1,288,560</u>
Expenditures			
Current:			
Capital outlay:			
Facilities acquisition and construction	-	1,125,156	1,125,156
Debt service:			
Issue costs	-	846	846
Total expenditures	<u>-</u>	<u>1,126,002</u>	<u>1,126,002</u>
Excess (deficiency) of revenues over (under) expenditures	606,631	(444,073)	162,558
Other financing sources (uses)			
Transfers out	(606,631)	-	(606,631)
Total other financing sources (uses)	<u>(606,631)</u>	<u>-</u>	<u>(606,631)</u>
Net change in fund balances	-	(444,073)	(444,073)
Fund balance - beginning	<u>-</u>	<u>444,073</u>	<u>444,073</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE AND SINGLE AUDIT



**Report of Independent Certified Public Accountants 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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Orlando, Florida
December 15, 2010



**Report of Independent Certified Public Accountants 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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 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, Bekant & Holland, L.L.P.

Orlando, Florida
December 15, 2010

DISTRICT SCHOOL BOARD OF COLLIER COUNTY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Grantor/Program	CFDA Number	Pass-Through Grantor Number	Amount of Expenditures
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550	N/A	\$ 1,391,542
Florida Department of Education:			
School Breakfast Program	10.553	321	2,763,384
National School Lunch Program	10.555	300	9,703,369
Total Child Nutrition Cluster			<u>12,466,753</u>
ARRA 2009 Equipment Assistance Grants, School Food Authorities			
Fresh Fruit and Vegetable Program	10.579	371	39,880
	10.582	N/A	121,785
Total United States Department of Agriculture			<u>14,019,960</u>
United States Department of Commerce:			
Indirect:			
NOAA: Department of Environmental Protection:			
Big Cypress Watershed Project: Learning in Florida's Environment	11.469	NA09SEC4690012	7,839
Total United States Department of Commerce			<u>7,839</u>
United States Department of Labor:			
Indirect:			
Southwest Florida Workforce Development Board:			
ARRA Summer 2009 Youth Career Exploration Program	17.259	WIYS9	81,518
Florida Department of Education:			
National Farmworker Jobs Program	17.264	405	413,771
Total United States Department of Labor			<u>495,289</u>
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	7,500
Federal Pell Grant Program	84.063	N/A	1,040,198
Total Student Financial Assistance Cluster			<u>1,047,698</u>
Indian Education			
	84.060	N/A	5,054
Safe and Drug-Free Schools and Communities-National Programs:			
School-Based Student Random Drug Testing	84.184	Q184D060002	168,685
SES-21st Century Partnership	84.287	U287N080024	586,873
Advanced Placement Fee Payment Program:			
Educational Excellence-Mastering Challenging Curriculum	84.330	S330C090017/60172	538,689
Total Direct			<u>1,299,301</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	8,748,402
Special Education - Preschool Grants	84.173	267	254,966
ARRA IDEA, Part B	84.391	263	4,403,045
ARRA IDEA, Part B, Preschool	84.392	267	152,296
University of Florida:			
Project CONNECT	84.027	N/A	3,351
University of South Florida:			
Positive Behavior Support	84.027	151896	25,531
Total Special Education Cluster			<u>13,587,591</u>
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	7,851,775
ARRA Title I School Improvement Initiative-Targeted	84.010	226, USDE #S389A090009A	241,332
ARRA Title I Disadvantaged Children	84.389	212, USDE #S389A090009A	2,503,802
ARRA Title I Part D Local Delinquent	84.389	223	62,359
Total Title I Part A Cluster			<u>10,659,268</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY
Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended June 30, 2010

Grantor/Program	CFDA Number	Pass-Through Grantor Number	Amount of Expenditures
United States Department of Education (continued):			
State Fiscal Stabilization Fund Cluster:			
ARRA Education Stabilization Fund, K-12 EDU	84.394	591	14,923,948
ARRA Education Stabilization Fund, Workforce Dev. EDU	84.394	591	386,334
ARRA Government Services Fund, K-12 EDU GS	84.397	592	561,028
ARRA Government Services Fund, Workforce Dev. GS	84.397	592	58,201
ARRA SFSF 2010 State Appropriated Equip. Assist.-Sch Food Auth.	84.397	592, USDE#S397A90010	40,887
ARRA SFSF Dale Hickham Excellent Teaching Program	84.397	592, USDE#S397A90010	538,494
ARRA Boys & Girls Club	84.397	592	6,710
Total Fiscal Stabilization Fund Cluster			16,515,602
Florida Department of Education:			
Education Technology State Grants	84.318	191193	73,505
ARRA Educational Technology Entitlement	84.386	217	119,818
Adult Education - State Grant Program	84.002	151161	656,989
Migrant Education - State Grant Program	84.011	103	4,841,156
Vocational Education - Basic Grants to States	84.048	127	485,263
Safe and Drug-Free Schools and Communities - State Grants	84.186	219	132,771
Education for Homeless Children and Youth	84.196	244	88,623
Even Start - State Educational Agencies	84.213	121	238,260
Twenty-First Century Community Learning Centers	84.287	102	480,000
English Language Acquisition Grants	84.365	224	2,314,461
Improving Teacher Quality State Grants	84.367	126	1,487,614
Title I School Improvement Fund	84.377	121	45,271
ARRA Title X, Part C, NCLB, Homeless Education	84.387	127	65,906
Southwest Florida Workforce Development Board:			
Twenty-First Century Community Learning Centers	84.287	N/A	421,972
District School Board of Lee County:			
Reading First State Grants	84.357	N/A	6,774
District School Board of Washington County:			
Reading First State Grants	84.357	N/A	21,300
University of Oregon:			
Center on Technology & Standards-Based Reform for Students with Disabilities - WYNN	84.327	223071H	1,515
Total Indirect			11,481,198
Total United States Department of Education			54,590,657
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600	04CH3193-40/43/44	2,784,831
Head Start 2009 ARRA COLA Quality Improvement Funding	93.708	04CSE3193-01	166,059
Indirect:			
Florida Department of Children and Families:			
Refugee and Entrant Assistance - Discretionary Grants	93.566	LK998,912	683,704
Florida Increasing Refugee Student Achievement	93.576	137	318,784
Total United States Department of Health and Human Services			3,953,378
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance	97.036	08-PA-B9-09-21-13-593	4,911
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	456,491
TOTAL EXPENDITURES			\$ 73,528,526

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs, during the 2009-2010 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, 2010. 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 2010 Catalog of Federal Domestic Assistance.

5. Head Start

Expenditures include (\$.29) for program year 04CH3193-43; \$2,784,375.69 for program year 04CH3193-44.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part I - Summary of Audit Results

1. The auditor's report on the financial statements expresses unqualified opinions.
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 #
Special Education Cluster	84.027, 84.173, 84.391, 84.392
Title I, Part A Cluster	84.010, 84.389
State Fiscal Stabilization Fund Cluster	84.394, 84.397
Head Start	93.600, 93.708

7. The threshold for distinguishing Types A and B programs was \$2,205,856.
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, 2010

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, 2010

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2010. 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 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*. We have issued our 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*, Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 17, 2010, 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, which governs the conduct of district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule.

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address 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.

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. 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.

Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of 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.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address in the management letter any recommendation to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. During our audit, it came to our attention that the District's *Construction in Progress* included certain projects which had been completed before year end. The District reclassified these projects to *Capital Assets Being Depreciated*; however, we recommend that management establish procedures to evaluate the status of projects included in *Construction in Progress* and make necessary reclassifications at least annually.

Management's Response: Although the District had established processes in place at year end to reconcile and review construction in progress values on the financial statements, personnel changes resulted in the incorrect application of processes and some items were not moved out of Construction in Progress timely. The District has reviewed all transactions and reclassified certain projects to Capital Assets Being Depreciated. The District will enhance its processes throughout the year and at year end to afford a more detailed analysis of these transactions.

Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, 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 made by management and the review of financial information provided by them.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the District School Board, applicable management, applicable federal and state agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Behant & Holland, L.L.P.

Orlando, Florida
December 15, 2010