

**The School District of Lee County, Florida  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

**Part I - Summary of Audit Results**

1. The auditors' report on the financial statements expresses unqualified opinions.
2. One significant deficiency and no material weaknesses 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 or material weaknesses 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:

<u>Name of Program</u>	<u>CFDA #</u>
Title I, Part A Cluster:	
Title I Grants to Local Education Agencies	84.010
Title I Grants to Local Educational Agencies - Recovery Act	84.389
State Fiscal Stabilization Fund Cluster	
Education State Grants - Recovery Act	84.394
Government Services - Recovery Act	84.397
Head Start Cluster	
Head Start	93.600
Head Start - Recovery Act	93.708
Early Head Start - Recovery Act	93.709
Special Education Cluster:	
Grants to States	84.027
Preschool Grants	84.173
Grants to States – Recovery Act	84.391
Preschool Grants - Recovery Act	84.392

The threshold for distinguishing Types A and B programs was \$3,000,000.

The District was determined to be a low risk auditee.

**The School District of Lee County, Florida**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended June 30, 2010**

**Part II - Financial Statement Findings**

**Significant Deficiency:**

**Finding 2010-1**

**Compensated Absences**

**Criteria:** Compensated absences should reflect the District's actual liability as of the fiscal year end for all employees of the District.

**Condition:** Employees who were not active employees at the district during FY10 were included in the compensated absences liability balance.

**Cause:** In the prior years, data was transferred from the Legacy system into a manually kept spreadsheet to calculate compensated absences. This process was separate from the payroll process which required changes to be made in the compensated absences for any changes made in the payroll system. When the information was input into the PeopleSoft payroll module during the fiscal year, employees that should have been removed were improperly included.

**Effect:** The government wide financial statements showed a liability balance that was over-stated by \$889,847 in the current year. The District made an adjustment to compensated absences deletions in the current year for this amount.

**Recommendation:** CBH recommends that the compensated absences process be integrated into the PeopleSoft system to ensure that when employees are terminated in the payroll module, their associated liabilities are also removed from the system.

**Managements' Response:** Management recoded erroneous employees and corrected any other data entry errors in the PeopleSoft system. Going forward, the compensated absences module is integrated with the payroll process which will ensure that all data is simultaneously updated for changes and the process is automated to prevent manual processing errors.

**Part III - Federal Award Finding and Questioned Costs**

**There were no findings required to be reported in accordance with Circular A-133 section .510.**

**THE SCHOOL DISTRICT OF LEE COUNTY, FLORIDA**  
**Summary Schedule of Prior Audit Findings – Federal Awards**  
**Year Ended June 30, 2010**

**Financial Statement Finding:**

**Finding No. 1: Financial Reporting / Property Taxes (Summary)**

***Condition and Criteria:*** Property tax revenues should be recognized net of uncollectible amounts in accordance with GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*. In June 30, 2008, the District recorded \$18,877,744 of delinquent property taxes receivable in the Statement of Net Assets. The District was aware that this receivable was not collectible prior to the issuance of the financial statements for the period ended June 30, 2008 but the entry to reduce the receivable was not recorded. The property tax receivable of \$18,877,744 that was delinquent and not collectible was subsequently written off in the period ended June 30, 2009.

***Recommendation:*** The District should recognize receivables net of uncollectible amounts in accordance with GASB 33.

***Current status:*** Resolved. The District has recognized as revenue only those taxes that the Tax Collector has collected, but not distributed to the District as of June 30, 2010.



**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  
The School District of Lee County, Florida  
Fort Myers, 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 School District of Lee County, Florida 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 13, 2010. We did not audit the financial statements of 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 a combination of 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 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. However, we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs, Finding 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the District's management, the Board, and 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, Behant & Holland, L.L.P.*

Tampa, Florida  
December 13, 2010



**Report of Independent Certified Public Accountants on Compliance with  
Requirements Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

The Honorable Members of the School Board  
The School District of Lee County, Florida  
Fort Myers, Florida

**Compliance**

We have audited the compliance of the School District of Lee County, Florida ("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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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'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 a 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 would not necessarily 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 for the information and use of the District's management, the Board, and 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, Behant & Holland, L.L.P.*

Tampa, Florida  
December 13, 2010

**THE SCHOOL DISTRICT OF LEE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Amount of Expenditures</u>	<u>Amount Provided to SubRecipients</u>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
Indirect				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 4,732,068.0	
National School Lunch Program	10.555	300	17,988,966	
Summer Food Service Program for Children	10.559	323	479,350	
Fresh Fruit and Vegetable Program	10.582	300	87,403	
Florida Department of Agriculture & Consumer Services:				
Food Distribution	10.555	None	570,418	
<b>Total Child Nutrition Cluster</b>			<u>23,858,205</u>	
<b>Total United States Department of Agriculture</b>			<u>23,858,205</u>	
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
Direct				
Congressionally Identified Awards (NOAA)	11.469	NA08SEC4690055	30,819	
Impact Aid	84.041	None	2,355	
Federal Pell Grant Program	84.063	2965 & 4844	1,832,518	
Safe and Drug-Free Schools and Communities National Programs	84.184	Q18E090045	165,049	\$ 9,833
Carol M. White Physical Education	84.215	Q215F080072	98,408	
Advanced Placement Program	84.330	S330C060130-08	86,395	
<b>Total Direct</b>			<u>2,215,544</u>	<u>9,833</u>
Indirect				
Special Education Cluster:				
Florida Department of Education:				
Special Education-Grants To States	84.027	263	16,301,860	318,371
Special Education-Preschool Grants	84.173	267	491,192	
ARRA - Special Education-Grants To States, Recovery Act	84.391	262	4,871,672	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	266	177,222	
<b>Total Special Education Cluster</b>			<u>21,841,946</u>	<u>318,371</u>
Florida Department of Education:				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	212,222,223,226,228	15,558,980	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212,223	4,177,363	736
<b>Total Title I, Part A Cluster</b>			<u>19,736,343</u>	<u>736</u>
Child Nutrition Discretionary Grants	10.579	371	11,831	
Adult Ed -Basic Grants to States	84.002	191,193	789,374	
Migrant Education - State Grant Program	84.011	217	665,369	
Career and Technical Education - Basic Grants to States	84.048	151	1,201,478	
Safe & Drug-Free Schools and Communities - State Grants	84.186	103	280,005	60,255
Education for Homeless Children and Youth	84.196	127	96,850	
Charter Schools	84.282	298	783,123	
Education Technology State Grants	84.318	121	285,483	
Reading First State Grants	84.357	211	375,035	
English Language Acquisition Grants	84.365	102	946,241	
Improving Teacher Quality State Grants	84.367	224,225	2,940,542	202,354
Homeless Education Disaster Assistance Program	84.383	S383A090009	72,837	
Education for Homeless Children and Youth, Recovery Act	84.387	127	71,156	
State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	591, 592	27,413,328	118,511
State Fiscal Stabilization Fund-Government Services, Recovery Act	84.397	592	2,167,821	
<b>Total Indirect</b>			<u>79,678,762</u>	<u>700,227</u>
<b>Total United States Department of Education</b>			<u>81,894,306</u>	<u>710,060</u>



THE SCHOOL DISTRICT OF LEE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
Year Ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Amount of Expenditures</u>	<u>Amount Provided to SubRecipients</u>
<b>UNITED STATES DEPT. OF HEALTH &amp; HUMAN SERVICES</b>				
Direct				
Head Start	93.600	04CH3269/43&44	5,297,928	
ARRA - Head Start Recovery	93.708	04SE3269 & 04SH3269	635,081	
ARRA - Early Head Start	93.709	04SA3269/01	765,556	
<b>Total United States Department of Health &amp; Human Services</b>			<u>6,698,565</u>	
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE</b>				
Indirect				
Florida Department of Education:				
Learn & Serve America - School & Community-Based Programs	94.004	234	13,297	
<b>Total Corporation for National &amp; Community Service</b>			<u>13,297</u>	
<b>UNITED STATES DEPARTMENT OF DEFENSE</b>				
Direct				
Army Reserve Officers Training Corps	None	N/A	975,012	
<b>Total United States Department of Defense</b>			<u>975,012</u>	
<b>TOTAL EXPENDITURES</b>			<u>\$ 113,439,385</u>	<u>\$ 710,060</u>

See accompanying notes to schedule of expenditures of federal awards.

THE SCHOOL DISTRICT OF LEE 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. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

**2. Noncash Assistance**

The amount reported for National School Lunch Program 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.

**3. Contingency**

The grant revenue amounts received are subject to audit. 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 School District of Lee 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.



## Report of Independent Certified Public Accountants

The Honorable Members of the School Board  
The School District of Lee County, Florida  
Fort Myers, 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 School District of Lee 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'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 Foundation for Lee County Public Schools, Inc. and the charter schools, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as they relate to the amounts included for the District's aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 School District of Lee County, Florida, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the State Fiscal Stabilization - Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 8, the June 30, 2009 Governmental Activities assets and non-current liabilities have been restated to reflect the effects of adopting GASB No. 53: *Accounting and Financial Reporting for Derivative Instruments*. We audited the adjustments necessary to restate the June 30, 2009 net balances provided in Note 1. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 13, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and on pages 16 through 32 and the Schedule of Funding Progress – Other Postemployment Benefits on page 82 is not a required part of the basic financial statements but is 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 introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for the purpose of additional analysis as required by the 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. The combining and individual fund financial statements and schedules, including the schedule of expenditures of federal awards, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Tampa, Florida  
December 13, 2010