

**The School District of Lee County
Fort Myers, Florida**

SINGLE AUDIT REPORT

For Fiscal Year Ended
June 30, 2004



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Fort Myers, Florida**

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

The School District of Lee County, Florida
Ft. 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 (the "District") as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2004. We did not audit the financial statements of the charter schools, reported as discretely presented component units. These 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 for the information of the District School Board, applicable management, and applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

St. Petersburg, Florida
November 17, 2004



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

The School District of Lee County, Florida
Ft. 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, 2004. The District's major federal programs are identified in the summary of auditor's 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; 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.

As described in Findings No. 04-01 to 04-03 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding eligibility that are applicable to its Pell Grant Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2004.

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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirement of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items Findings No. 04-01 to 04-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings No. 04-01 to 04-03 to be material weaknesses.

Schedule of Expenditures of Federal Awards

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, 2004, and have issued our report thereon dated November 17, 2004. We did not audit the financial statements of the Foundation for Lee County Public Schools, Inc. (the Foundation) and the charter schools, reported as discretely presented component units. These financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 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.

This report is intended for the information 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, Belkaert & Halland, L.L.P.

St. Petersburg, Florida
November 17, 2004

**THE SCHOOL DISTRICT OF LEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
United States Department of Agriculture:		
Indirect:		
Florida Department of Agriculture & Consumer Services:	10.550	\$ 1,026,232
Food Distribution		
Florida Department of Education:		
School Breakfast Program	10.553	1,999,103
National School Lunch Program	10.555	9,531,552
After School Snack Program	10.555	160,377
Summer Food Service Program	10.559	328,414
Total United States Department of Agriculture		<u>13,045,678</u>
United States Department of Labor:		
Indirect:		
Florida Department of Education:		
Work Force Council	17.25A	75,877
Total United States Department of Labor		<u>75,877</u>
United States Department of Education:		
Direct:		
Impact Aid-Maintenance and Operation	84.041	11,660
Federal Pell	84.063	333,981
Safe & Drug Free Learning Environment	84.184L	401,489
Indirect:		
Florida Department of Education:		
Adult Ed -State Administered Grant Program	84.002	267,085
Title I Grants to Local Educational Agencies	84.010	10,180,351
Migrant Education-Basic State Grant Program	84.011	504,559
Special Education-Grants To States	84.027	10,416,675
Vocational Education-Carl Perkins	84.048	673,069
Emergency Immigrant Education	84.163	625,667
Special Education-Preschool Grants-IDEA	84.173A	452,137
Safe & Drug Free Schools - State Grants	84.186	404,714
Homeless Child Education	84.196	8,365
ESEA Title I -Even Start - State Educational Agency	84.213	226,470
Carl Perkins-Tech Prep Education	84.243	273,445
Public Charter School	84.282A	436,189
Enhancing Education Through Technology	84.318	341,165
Comprehensive School Reform	84.332A	275,024
ESEA Title II	84.367	2,486,959
Reading First	84.357	2,112,891
School Renovation, IDEA, & Technology	84.352A	2,987,202
Title V, ESEA, Part A	84.298A	376,789
Total United States Department of Education		<u>33,795,886</u>
United States Department of Health and Human Services:		
Direct:		
Administration for Children, Youth and Families, Head Start	93.600	5,120,155
Total United States Department of Health and Human Services		<u>5,120,155</u>
Corporation for National & Community Service:		
Indirect:		
Florida Department of Education:		
Learn & Serve America-School and Community Based Programs	94.004	24,525
Total Corporation for National & Community Service		<u>24,525</u>
United States Department of Defense:		
Direct:		
Army Reserve Officers Training Corps		552,904
Total United States Department of Defense		<u>552,904</u>
TOTAL EXPENDITURES		<u>\$ 52,615,025</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, 2004

1. Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs, during the 2003-2004 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.

Noncash Assistance

The amount reported for Food Donation represents the donated food used during the year ended June 30, 2004. 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 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.

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 2004 Catalog of Federal Domestic Assistance.

**The School District of Lee County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unqualified opinions

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None reported
- Noncompliance material to financial statements noted? No

Federal Awards Section

Internal control over major programs:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major Programs:

Pell Grant Program Qualified opinion
All other major programs Unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063	Student Financial Assistance Cluster: Pell Grant Program
84.027 84.173A	Special Education Cluster: Special Education – Grants to States Special Education – Preschool Grants
84.352A 84.357	School Renovation, IDEA, and Technology Grant Reading First

Dollar threshold used for distinguishing between type A and B programs: \$1,578,451

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Finding and Questioned Costs

U.S. Department of Education

Student Financial Assistance Cluster
CFDA No.: 84.007, 84.033 and 84.063
Grantor No: N/A

Finding: 04-01

Eligibility

Criteria: In accordance with OMB Circular A-133, the District is responsible for ensuring only those students meeting specified eligibility requirements receive funding through the Student Financial Assistance Grant.

Statement of Condition: We found that one student of the twenty-seven tested received grant funds despite receiving an unsatisfactory performance rating on their most recent progress report.

Recommendation: We recommend that the District review each student's progress report before disbursing funds to ensure eligibility.

Finding: 04-02

Eligibility

Criteria: In accordance with OMB Circular A-133, the District is required to obtain and review additional information on students selected for verification, including a copy of the student's last federal income tax return.

Statement of Condition: We found no tax return in a student's file selected for verification. This additional required documentation was not obtained and testing of the student's income was not performed for one of the thirteen students tested for verification.

Recommendation: We recommend that the District obtain all required documentation and perform appropriate procedures on all students selected for verification.

Finding: 04-03

Eligibility

Criteria: In accordance with OMB Circular A-133, the District is required to disburse funds to students in accordance with the funding schedule provided by the U.S. Department of Education Federal Student Aid.

Statement of Condition:

While reviewing student files during eligibility testing, we noted that one student received funds greater than the amount applicable for the number of hours in her program.

Recommendation: We recommend that the District carefully review which program each student is enrolled in and ensure they are paying the student in accordance with grant guidelines. Students should only receive the amount of funds applicable to the program they are enrolled in.

**The School District of Lee County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2004**

No findings in prior year.



THE SCHOOL DISTRICT OF LEE COUNTY

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CHAIRMAN • DISTRICT 5

ROBERT D. CHILMONI
VICE CHAIRMAN • DISTRICT 1

JEANNE S. DOZIEF
DISTRICT 2

JANE E. KUCKEL, Ph.D.
DISTRICT 3

STEVEN K. TEUBER
DISTRICT 4

JAMES W. BROWDER, Ed.D.
SUPERINTENDENT

KEITH B. MARTIN
BOARD ATTORNEY

March 24, 2005

Cherry, Bekaert & Holland, L.L.P.
111 Second Avenue, N.E., Suite 1200
St. Petersburg, FL 33701

Finding: 04-01

A revised Satisfactory Academic Progress policy has been implemented which complies with and includes all required standards. The policy has been included in the school's Policy and Procedure Manual as section 16 and is also detailed in the student catalog and handbook. A new SAP report form has been developed to reflect the changes made to the policy that will ensure students only receive funds when they are academically eligible. In addition, the Satisfactory Academic Progress policy is now a part of the financial aid checklist which ensures compliance with Federal requirements and is reviewed and authorized by signature of the school Financial Aid Officer.

Finding: 04-02

The institution has implemented a policy and procedure for completing verification. The financial aid staff will continue to receive training in this area in an effort to ensure that the correct documentation is obtained for all files selected for verification. The policy and procedure for completing verification has been included as section 7 in the school's Policy and Procedure Manual and a checklist has been developed to ensure all required documentation is collected and reviewed. Students are not determined to be eligible for Federal Student Aid funds until this verification checklist is complete and authorized by signature of the school's Financial Aid Officer.

Finding: 04-03

In response to this finding, Lee County High Tech Center Central has established payment periods (for each of its approved programs) that correspond to its academic year definition. Using the number of hours that students are scheduled to attend per week as a basis, the academic year has been established at 900 clock hours and 36 weeks for all programs except Law Enforcement, Cosmetology, Practical Nursing (PN), & Surgical Technology. The academic year for Law Enforcement is 900 hours, 17 weeks. Cosmetology, PN, and Surgical Technology have a 900 hour, 30 week academic year.

The institution has determined the payment periods for all programs using federal criteria and has developed a chart that will ensure correct payment amounts are dispersed to students. An award letter checklist form has been developed to document payment amounts and payment periods. The payment is not authorized until this checklist form is reviewed and signed by the school's Financial Aid Officer.

Sincerely,

James W. Browder, Ed.D.
Superintendent

WB:GSC:lkm



Independent Auditors' Management Letter

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 (the "District") as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2004. 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. (the Foundation) and the charter schools, reported as discretely presented component units, these financial statements were audited by other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 17, 2004, and it should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General. Those rules (Section 10.804(d)1.) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such matters reported in the preceding annual financial audit.

As required by the Rules of the Auditor General (Section 10.804(d)2.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District met any of the specified conditions of a financial emergency contained in Section 218.503(1). In connection with our audit of the District, the results of our tests did not

indicate that the District is in a state of financial emergency as a consequence of the conditions in Section 218.503(1), Florida Statutes, However, our audit does not provide a legal determination on the County's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(d)3.) requires disclosure of any recommendations to improve the District present financial management, accounting procedures, and internal controls. There were no recommendations made.

The Rules of the Auditor General (Section 10.804(d)4.) states that a management letter shall include a statement as to whether or not the District complied with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District was in noncompliance with Section 218.415 regarding the investment of public funds. However, our audit was not directed toward obtaining knowledge regarding the District's compliance with this requirement.

The Rules of the Auditor General (Section 10.804(d)5.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (b) improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements; (c) deficiencies in internal control that are not reportable conditions. There were no such matters noted.

In planning and performing our audit of the financial statements for the year ended June 30, 2004, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

This report is intended for the information of the School Board, the District's management, specific legislative or regulatory bodies, 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.

Cherny, Bekant & Holland, L.L.P.

St. Petersburg, Florida
November 17, 2004