

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD**

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**Financial, Operational, and Federal Single  
Audit**

For the Fiscal Year Ended  
June 30, 2010



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
Lee Swift	1
Alleen Miller, Vice Chair to 11-16-09	2
Andrea Messina, Vice Chair from 11-17-09	3
Sue Sifrit, Chair from 11-17-09	4
Barbara Rendell, Chair to 11-16-09	5

Dr. David E. Gayler, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was William D. Foster, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Vikki S. Mathews, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

### Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

#### ADDITIONAL MATTERS

Finding No. 1: Improvements were needed in controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 2: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 4: The District needed to enhance controls over vendor payment processing.

Finding No. 5: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 6: Certain IT security controls related to user authentication needed improvement.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; State Fiscal Stabilization Fund Cluster; and Head Start Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Charlotte County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and

- Taken corrective actions for findings included in our report No. 2010-136.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board, as of and for the fiscal 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 District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 22 percent of the assets and 39 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the Charlotte Local Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Charlotte County District School Board as of June 30, 2010, and the respective changes in financial position and cash flows, where

applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Charlotte County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 11) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 50 through 53) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
March 17, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the District School Board of Charlotte County has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements found on pages 12 through 48.

### FINANCIAL HIGHLIGHTS

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

- The District's total net assets increased by \$33,539,388.37, or 8.4 percent increase over the 2008-09 fiscal year.
- General revenues total \$193,204,939.38, or 94.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$10,460,804.47 or 5.1 percent of all revenues.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$13,879,204.65 at June 30, 2010, or 11.4 percent of total General Fund expenditures.
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$3,759,854.39. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$6,608,272.16.
- The District's student enrollment decreased by 432 students, or 2.5 percent from the prior fiscal year, which is important because State funding is driven predominantly by student enrollment.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in two categories:

- Governmental activities – This represents most of the District's services including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and

administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents two separate legal entities in this report including the Charlotte School Board Leasing Corporation and the Charlotte Local Education Foundation, Inc. These entities meet the criteria for inclusion provided by generally accepted accounting principles.

Over a period of time, changes in the District's net assets are an indication of improving financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

### **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – ARRA Economic Stimulus Fund, Special Revenue – Miscellaneous Fund, Capital Projects – District Bonds Fund, and Capital Projects – Local Capital Improvement Fund. Data from other governmental funds are combined into a single, aggregated presentation.

The district adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

**Proprietary Funds:** Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are proprietary funds used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the Employee Benefits Program and the Special Projects Center Consortium. Since these services

predominately benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

**Fiduciary Funds:** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District’s own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for resources held for student activities and groups.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2010, compared to net assets as of June 30, 2009.

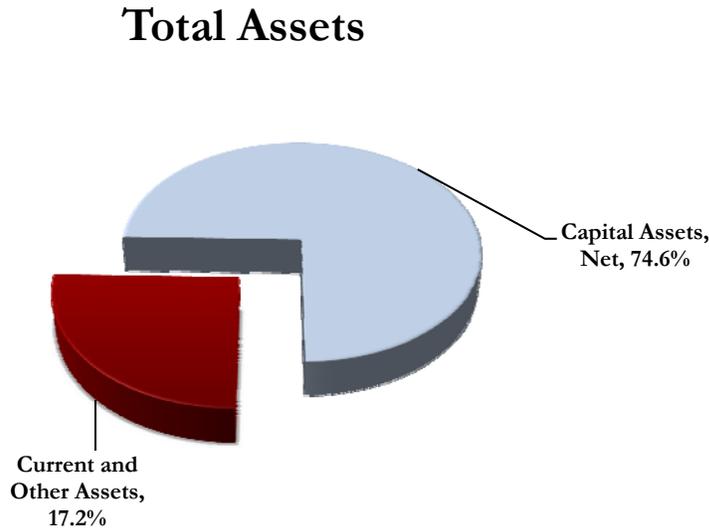
	<b>Net Assets, End of Year</b>			
	Governmental		Increase (Decrease)	Percentage Change
	Activities			
	6-30-10	6-30-09		
Current and Other Assets	\$ 134,465,862.98	\$ 77,444,421.66	\$ 57,021,441.32	73.63%
Capital Assets	395,163,838.16	373,016,331.30	22,147,506.86	5.94%
<b>Total Assets</b>	<b>529,629,701.14</b>	<b>450,460,752.96</b>	<b>79,168,948.18</b>	<b>17.58%</b>
Long-Term Liabilities	83,439,650.83	21,413,414.04	62,026,236.79	289.66%
Other Liabilities	12,177,077.29	28,573,754.27	(16,396,676.98)	-57.38%
<b>Total Liabilities</b>	<b>95,616,728.12</b>	<b>49,987,168.31</b>	<b>45,629,559.81</b>	<b>91.28%</b>
Net Assets:				
Invested in Capital Assets -				
Net of Related Debt	385,340,397.86	363,710,331.30	21,630,066.56	5.95%
Restricted	21,270,402.28	35,970,890.18	(14,700,487.90)	-40.87%
Unrestricted	27,402,172.88	792,363.17	26,609,809.71	3358.28%
<b>Total Net Assets</b>	<b>\$ 434,012,973.02</b>	<b>\$ 400,473,584.65</b>	<b>\$ 33,539,388.37</b>	<b>8.37%</b>

The largest portion of the District’s net assets reflects its investment in capital assets (e.g. land; buildings and fixed equipment; furniture, fixtures, 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.

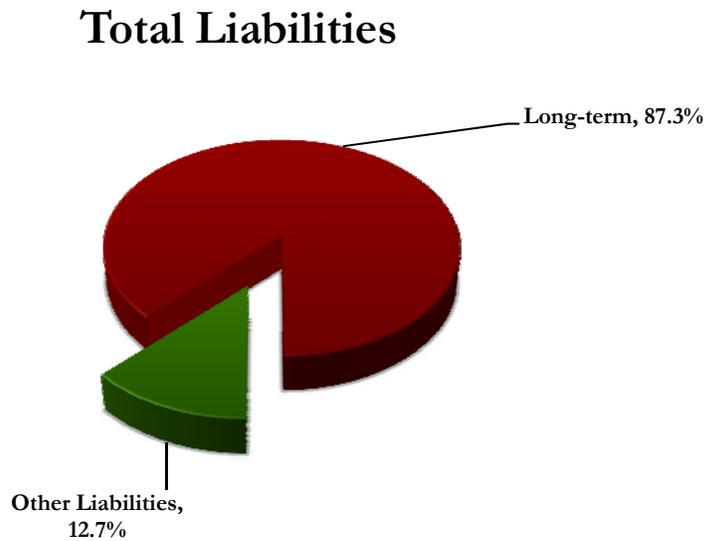
The restricted portion of the District’s net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The following graphs show the District’s net assets as a percentage of the total for each group, assets, liabilities, and net assets.

Total assets, distinguishing between capital and other assets:

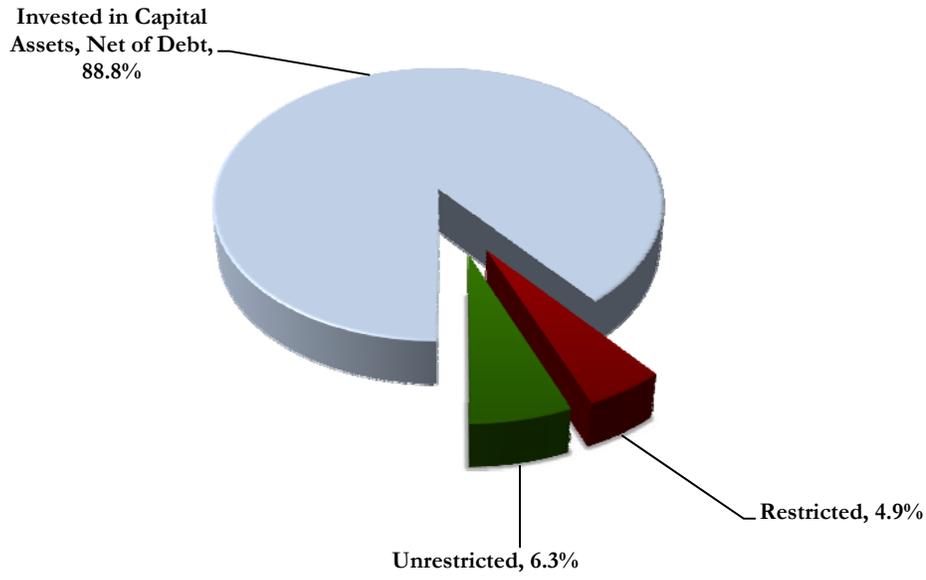


Total liabilities, distinguishing between long-term and other liabilities:



Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts:

### Total Net Assets



The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

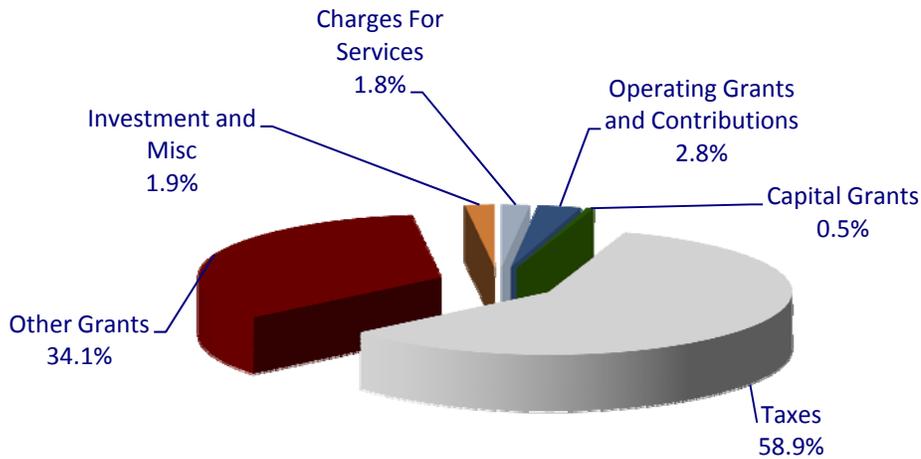
	<b>Operating Results for the Year</b>			
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-10	6-30-09		
<b>Program Revenues:</b>				
Charges for Services	\$ 3,733,740.65	\$ 4,067,051.02	\$ (333,310.37)	-8.20%
Operating Grants and Contributions	5,792,934.73	8,741,024.76	(2,948,090.03)	-33.73%
Capital Grants and Contributions	934,129.09	2,857,936.18	(1,923,807.09)	-67.31%
<b>General Revenues:</b>				
Property Taxes, Levied for Operational Purposes	95,293,632.70	87,745,969.27	7,547,663.43	8.60%
Property Taxes, Levied for Capital Projects	24,563,874.07	33,360,561.63	(8,796,687.56)	-26.37%
Grants and Contributions Not Restricted to Specific Programs	69,369,395.73	42,884,651.44	26,484,744.29	61.76%
Unrestricted Investment Earnings	637,311.93	308,892.86	328,419.07	106.32%
Miscellaneous	3,340,724.95	2,517,832.64	822,892.31	32.68%
Extraordinary Item		14,484,100.87	(14,484,100.87)	-100.00%
<b>Total Revenues</b>	<b>203,665,743.85</b>	<b>196,968,020.67</b>	<b>6,697,723.18</b>	<b>3.40%</b>
<b>Functions/Program Expenses:</b>				
Instruction	83,718,511.31	86,754,121.11	(3,035,609.80)	-3.50%
Pupil Personnel Services	9,590,534.37	9,755,022.63	(164,488.26)	-1.69%
Instructional Media Services	2,215,789.43	2,208,406.75	7,382.68	0.33%
Instruction and Curriculum Development Services	6,370,908.57	6,809,085.58	(438,177.01)	-6.44%
Instructional Staff Training Services	3,109,089.64	2,151,612.60	957,477.04	44.50%
Instruction Related Technology	479,237.66	457,593.70	21,643.96	4.73%
School Board	545,559.17	561,327.34	(15,768.17)	-2.81%
General Administration	886,226.26	758,074.05	128,152.21	16.90%
School Administration	9,544,731.32	9,507,054.60	37,676.72	0.40%
Facilities Acquisition and Construction	5,045,935.22	6,839,384.74	(1,793,449.52)	-26.22%
Fiscal Services	1,077,105.33	1,131,125.68	(54,020.35)	-4.78%
Food Services	8,384,501.60	8,378,248.14	6,253.46	0.07%
Central Services	3,630,976.14	3,121,697.43	509,278.71	16.31%
Pupil Transportation Services	6,134,076.35	6,781,125.23	(647,048.88)	-9.54%
Operation of Plant	11,767,271.14	12,381,246.57	(613,975.43)	-4.96%
Maintenance of Plant	3,599,279.39	3,670,545.43	(71,266.04)	-1.94%
Administrative Technology Services	1,288,050.75	1,205,567.92	82,482.83	6.84%
Community Services	184,140.75	178,534.41	5,606.34	3.14%
Unallocated Interest on Long-Term Debt	492,150.35	581,883.72	(89,733.37)	-15.42%
Unallocated Depreciation Expense	10,798,557.75	10,642,247.50	156,310.25	1.47%
Loss on Disposal of Capital Assets	1,263,722.98		1,263,722.98	100.00%
<b>Total Functions/Program Expenses</b>	<b>170,126,355.48</b>	<b>173,873,905.13</b>	<b>(3,747,549.65)</b>	<b>-2.16%</b>
<b>Increase in Net Assets</b>	<b>\$ 33,539,388.37</b>	<b>\$ 23,094,115.54</b>	<b>\$ 10,445,272.83</b>	<b>45.23%</b>

The largest revenue source for the 2009-10 fiscal year is from the property tax levy, which resulted in total revenue for operational and capital purposes of \$119,857,506.77, or 58.9 percent of total revenues. Property taxes decreased by \$1,249,024.13 or 1 percent, due to decreases in property values. Revenues from State sources for current operations include amounts received through the Florida Education Finance Program (FEFP) funding formula. 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. Revenue from State sources for current operations and capital outlay totals \$24,204,066.86 for the 2009-10 fiscal year, of which \$1,296,091.00 is attributable to FEFP funding. Capital grants and contributions decreased by \$1,923,807.09 or 67.3 percent, due mainly to lack of appropriations in the 2009-10 fiscal year for Public Education Capital Outlay caused by

declining State funding. Grants and contributions not restricted to specific programs increased by \$26,484,744.29, primarily as a result of accruing an estimated insurance settlement related to Hurricane Charley.

The following graph shows total revenues by source before extraordinary item:

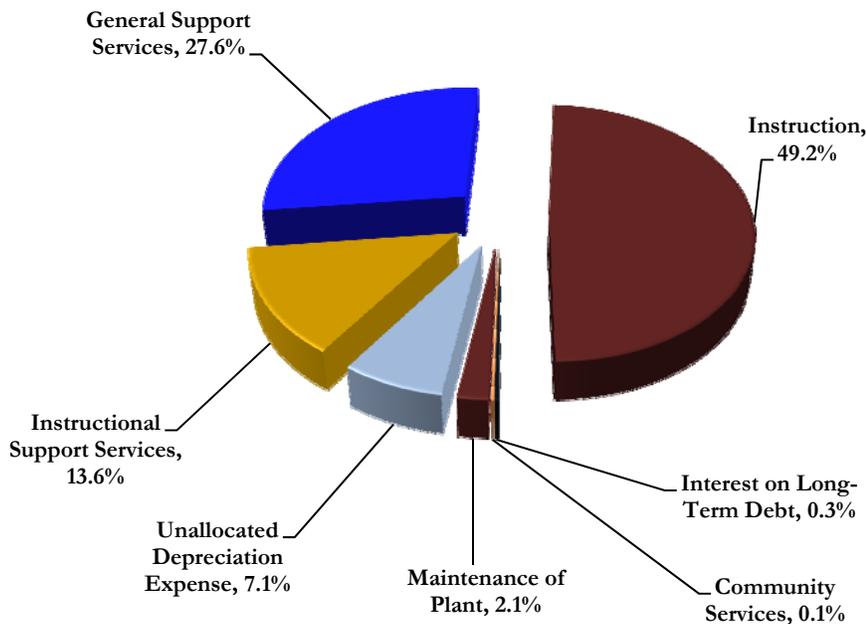
### Total Revenues By Source



Instruction expenses represent 49.2 percent of local governmental expenses in the 2009-10 fiscal year. Instruction expenses decreased by \$3,035,609.80 or 3.5 percent from the previous fiscal year due mainly to a reduction in instructional staff as a result of declining enrollment, and an overall effort to spend only when critically necessary.

A table of expenses by function is shown below:

### Total Expenses by Function



### FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

#### Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$13,879,204.65 while the total fund balance is \$14,710,111.58. The unreserved fund balance increased by \$3,971,462.81, while the total fund balance increased by \$3,759,854.39 during the fiscal year:

- District operating school taxes increased by 8.6 percent as a result of the increase in property tax millage rates.
- Total expenditures decreased by \$14,466,772.34, or 10.6 percent, from the previous fiscal year due mainly to a reduction in instructional staff as a result of declining enrollment, use of ARRA stabilization moneys, and an overall effort to spend only when critically necessary.

The District received Special Revenue – ARRA Economic Stimulus Funds this year of \$9,228,087.27, which was used primarily for salaries and benefits.

The Special Revenue – Miscellaneous Fund has total revenues of \$227,881.88 and total expenditures of \$17,539,148.61. Fund balance is zero because accruals for insurance settlements are not yet available to liquidate current expenditures, and thus revenue has not been recognized for these settlements. Fund expenditures are restricted for the reconstruction of capital assets and extra expenses associated with hurricane damages caused by Hurricane Charley in August 2004. The fund balance decreased by \$9,098,889.21 from the 2008-09 fiscal year due to the continued construction and recovery efforts related to Hurricane Charley.

The Capital Projects - District Bonds Fund has a total fund balance of \$59,510,885.68, which is restricted for the replacement construction of two existing schools, Lemon Bay High School and Meadow Park Elementary School.

The District issued qualified school construction bonds in the amount of \$60,000,000 during the current fiscal year, to fund these two new projects. At June 30, 2010, \$25,760,622.68 associated with these projects has been encumbered.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$18,678,492.03, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased \$2,020,944.91, in part, because transfers to the Special Revenue – Miscellaneous Fund reduced for Hurricane Charley repair efforts and payments to contractors for hurricane related expenditures in the Special Revenue – Miscellaneous Fund. It should be noted that \$6,430,635.03 has been encumbered for specific projects.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

In analyzing the differences between the original and final budgets, there were no significant variations in revenue or expenditures. Actual revenue variances with the final budget were within acceptable ranges. Expenditures also fell within range, with no significant variations from budget to actual.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

As part of the hurricane recovery process, the District has rebuilt five of six schools, and is rebuilding Charlotte High School, which will open a second phase at the beginning of the 2010-11 school year. These facilities are being replaced using funds from insurance proceeds, along with help from the Federal Emergency Management Agency (FEMA) and the State of Florida.

Under Board policy, school buses are to be replaced every 13 years. The cost of new buses for the current year totaled \$851,658.00. Additional information on the District's capital assets can be found in Notes 4 and 16 to the financial statements.

#### **Long-term Debt**

The District issued new long-term debt during the 2009-10 fiscal year totaling \$325,000, and refunded the 1999 Series A, State School Bonds, retired principal totaling \$365,000. Qualified school construction bonds were issued on May 28, 2010, in the amount of \$60,000,000 to be used for the reconstruction of two existing schools: Lemon Bay High School and Meadow Park Elementary School. At June 30, 2010, the District has total long-term debt outstanding of \$68,921,293.59, which is comprised of qualified zone academy, qualified school construction and State school bonds. During the fiscal year, retirement of debt amounted to \$385,000. Additional information on the District's long-term debt can be found in Notes 6 to 9 to the Financial Statements.

### **OTHER MATTERS OF SIGNIFICANCE**

As mentioned at various times in this report, the District was affected by an active hurricane season during 2004. The impact this will have on the District is ongoing. Assistance from FEMA, the State of Florida, and insurance is adequately covering the damages to the District's structures and replacement of equipment and supplies.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Charlotte County District School Board, 1445 Education Way, Port Charlotte, FL 33948.

**BASIC FINANCIAL STATEMENTS**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2010**

	Primary Government Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 47,845,046.96	\$ 71,587.00
Investments	1,137,646.75	
Accounts Receivable	493,579.10	10,705.00
Due from Other Agencies	1,766,217.02	
Due from Insurance Consortium	23,255,739.00	
Prepaid Items	7,763.87	720,000.00
Inventories	673,748.41	6,500.00
Deferred Charges	13,160.26	
Restricted Cash	58,508,554.96	
Restricted Investments	764,406.65	
Capital Assets:		
Nondepreciable Capital Assets	103,761,759.31	
Depreciable Capital Assets, Net	291,402,078.85	289.00
<b>TOTAL ASSETS</b>	<b>\$ 529,629,701.14</b>	<b>\$ 809,081.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 787,813.04	\$
Payroll Deductions and Withholdings	720,408.15	
Accounts Payable	3,291,702.36	4,500.00
Construction Contracts Payable	2,422,647.15	
Construction Contracts Payable - Retainage	3,331,533.97	
Deferred Revenue	1,413,938.00	
Deposits Payable	100,213.18	
Accrued Interest Payable	108,821.44	
Long-Term Liabilities:		
Portion Due Within One Year	1,637,820.78	
Portion Due After One Year	81,801,830.05	
<b>Total Liabilities</b>	<b>95,616,728.12</b>	<b>4,500.00</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	385,340,397.86	289.00
Restricted for:		
State Required Carryover Programs	251,428.53	
Debt Service	764,027.29	
Capital Projects	19,104,684.68	
Food Service	1,150,261.78	
Other Purposes		778,843.00
Unrestricted	27,402,172.88	25,449.00
<b>Total Net Assets</b>	<b>434,012,973.02</b>	<b>804,581.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 529,629,701.14</b>	<b>\$ 809,081.00</b>

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

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 83,718,511.31	\$ 658,916.30	\$	\$
Pupil Personnel Services	9,590,534.37			
Instructional Media Services	2,215,789.43			
Instruction and Curriculum Development Services	6,370,908.57			
Instructional Staff Training Services	3,109,089.64			
Instruction Related Technology	479,237.66			
School Board	545,559.17			
General Administration	886,226.26			
School Administration	9,544,731.32			
Facilities Acquisition and Construction	5,045,935.22			
Fiscal Services	1,077,105.33			
Food Services	8,384,501.60	2,835,605.25	5,792,934.73	
Central Services	3,630,976.14			
Pupil Transportation Services	6,134,076.35	239,219.10		
Operation of Plant	11,767,271.14			
Maintenance of Plant	3,599,279.39			353,806.00
Administrative Technology Services	1,288,050.75			
Community Services	184,140.75			
Unallocated Interest on Long-Term Debt	492,150.35			580,323.09
Unallocated Depreciation Expense	10,798,557.75			
Loss on Disposal of Capital Assets	1,263,722.98			
<b>Total Primary Government</b>	<b>\$ 170,126,355.48</b>	<b>\$ 3,733,740.65</b>	<b>\$ 5,792,934.73</b>	<b>\$ 934,129.09</b>
<b>Component Unit</b>				
Charlotte Local Education Foundation, Inc.	\$ 218,815.00	\$ 0.00	\$ 0.00	\$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
<b>Total General Revenues and Extraordinary Items</b>				
<b>Change in Net Assets</b>				
Net Assets - Beginning				
<b>Net Assets - Ending</b>				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (83,059,595.01)	\$
(9,590,534.37)	
(2,215,789.43)	
(6,370,908.57)	
(3,109,089.64)	
(479,237.66)	
(545,559.17)	
(886,226.26)	
(9,544,731.32)	
(5,045,935.22)	
(1,077,105.33)	
244,038.38	
(3,630,976.14)	
(5,894,857.25)	
(11,767,271.14)	
(3,245,473.39)	
(1,288,050.75)	
(184,140.75)	
88,172.74	
(10,798,557.75)	
(1,263,722.98)	
<u>(159,665,551.01)</u>	
	<u>(218,815.00)</u>
95,293,632.70	
24,563,874.07	
69,369,395.73	178,265.00
637,311.93	279.00
3,340,724.95	21,312.00
<u>193,204,939.38</u>	<u>199,856.00</u>
33,539,388.37	(18,959.00)
<u>400,473,584.65</u>	<u>823,540.00</u>
<u>\$ 434,012,973.02</u>	<u>\$ 804,581.00</u>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Special Revenue- Miscellaneous Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,016,391.21	\$	\$
Investments	168,071.39		
Accounts Receivable	480,495.68		
Due from Other Funds	474,041.24		
Due from Other Agencies	888,143.93	440,563.70	
Due from Insurance Consortium			23,255,739.00
Prepaid Items	7,763.87		
Inventories	389,418.07		
Restricted Cash and Cash Equivalents			
Restricted Investments			
<b>TOTAL ASSETS</b>	<b>\$ 16,424,325.39</b>	<b>\$ 440,563.70</b>	<b>\$ 23,255,739.00</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 609,512.12	\$ 32,663.72	\$
Payroll Deductions and Withholdings	538,625.93	3,594.63	
Accounts Payable	566,075.76	3,480.37	
Sales Tax Payable			
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		400,824.98	
Deferred Revenue			23,255,739.00
Deposits Payable			
<b>Total Liabilities</b>	<b>1,714,213.81</b>	<b>440,563.70</b>	<b>23,255,739.00</b>
Fund Balances:			
Reserved for State Required Carryover Programs	251,428.53		
Reserved for Encumbrances	190,060.33		
Reserved for Inventories	389,418.07		
Reserved for Debt Service			
Reserved for Other Purposes			
Unreserved:			
Undesignated, Reported in:			
General Fund	13,879,204.65		
Special Revenue Funds			
Capital Projects Funds			
<b>Total Fund Balances</b>	<b>14,710,111.58</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,424,325.39</b>	<b>\$ 440,563.70</b>	<b>\$ 23,255,739.00</b>

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

Capital Projects - District Bonds	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,395,035.37	\$ 23,441,566.91 830,029.28	\$ 964,571.72 139,546.08	\$ 41,817,565.21 1,137,646.75 480,495.68 929,174.86 1,766,011.12 23,255,739.00 7,763.87 673,748.41 58,508,554.96 764,406.65
58,508,554.96	455,133.62 96,169.70	341,133.79 284,330.34 764,406.65	7,763.87 673,748.41 58,508,554.96 764,406.65
<u>\$ 61,903,590.33</u>	<u>\$ 24,822,899.51</u>	<u>\$ 2,493,988.58</u>	<u>\$ 129,341,106.51</u>
\$	\$ 10,863.39 17,028.36	\$ 128,581.81 151,021.80	\$ 781,621.04 710,270.72
1,138,525.21	1,161,380.43	67,660.56 24.50	2,937,122.33 24.50
1,034,460.39 42,647.03 177,072.02	1,388,186.76 3,288,886.94 278,061.60	60,132.84	2,422,647.15 3,331,533.97 916,091.44 23,255,739.00 63,456.56
<u>2,392,704.65</u>	<u>6,144,407.48</u>	<u>470,878.07</u>	<u>34,418,506.71</u>
25,760,622.68	6,430,635.03	41,100.24 284,330.34 872,848.73	251,428.53 32,422,418.28 673,748.41 872,848.73 33,750,263.00
33,750,263.00	12,247,857.00	824,831.20	13,879,204.65 824,831.20 12,247,857.00
<u>59,510,885.68</u>	<u>18,678,492.03</u>	<u>2,023,110.51</u>	<u>94,922,599.80</u>
<u>\$ 61,903,590.33</u>	<u>\$ 24,822,899.51</u>	<u>\$ 2,493,988.58</u>	<u>\$ 129,341,106.51</u>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>Total Fund Balances - Governmental Funds</b>	\$	94,922,599.80
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		395,163,838.16
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,835,108.07
Debt issuance costs and underwriters' discounts are not expensed in the government-wide financial statements, but are recorded as deferred charges and amortized over the life of the debt.		13,160.26
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the government funds until due. This amount is the amount of accrued interest payable at fiscal year-end.		(108,821.44)
Hurricane loss recoveries are accrued in the government-wide statements, but are recorded as deferred revenue in the government funds because the revenue will not be collected in time to pay current obligations.		23,255,739.00
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Qualified Zone Academy Bonds Payable	\$	5,000,000.00
Certificates of Participation Payable		60,000,000.00
Bonds Payable		3,921,293.59
Compensated Absences Payable		12,214,072.24
Other Postemployment Benefits Payable		933,285.00
		(82,068,650.83)
<b>Total Net Assets - Governmental Activities</b>	<b>\$</b>	<b>434,012,973.02</b>

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

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Special Revenue- Miscellaneous Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 152,109.15	\$ 145,398.54	\$
Federal Through State and Local	810,912.06	9,082,688.73	
State	23,177,556.07		
Local:			
Property Taxes	95,293,632.70		
Charges for Services - Food Service			
Miscellaneous	3,810,915.84		227,881.88
<b>Total Revenues</b>	<b>123,245,125.82</b>	<b>9,228,087.27</b>	<b>227,881.88</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	72,497,134.45	5,112,097.21	
Pupil Personnel Services	7,896,391.97	678,618.96	
Instructional Media Services	2,139,043.99	53,903.14	949.00
Instruction and Curriculum Development Services	3,228,498.91	320,002.36	
Instructional Staff Training Services	830,976.80	753,817.61	
Instruction Related Technology	477,143.49		
School Board	535,039.68		
General Administration	362,094.55	146,345.11	
School Administration	7,222,963.18	1,938,150.23	
Facilities Acquisition and Construction			1,557,546.55
Fiscal Services	1,054,543.11	719.98	35,104.47
Food Services		1,927.80	
Central Services	3,216,821.89		240,333.06
Pupil Transportation Services	6,066,491.20		
Operation of Plant	11,571,663.01	35,097.00	
Maintenance of Plant	3,548,787.80		
Administrative Technology Services	1,267,005.51		
Community Services	126,072.44	54,009.70	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			15,705,215.53
Other Capital Outlay	22,160.69	133,398.17	
Debt Service:			
Principal			
Interest and Fiscal Charges	98,190.77		
<b>Total Expenditures</b>	<b>122,161,023.44</b>	<b>9,228,087.27</b>	<b>17,539,148.61</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,084,102.38</b>		<b>(17,311,266.73)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	4,775,965.00		5,021,907.70
Qualified School Construction Bonds Issued			
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payments to Refunded Bonds Escrow Agent			
Insurance Loss Recoveries	37,102.01		3,190,469.82
Transfers Out	(2,137,315.00)		
<b>Total Other Financing Sources (Uses)</b>	<b>2,675,752.01</b>		<b>8,212,377.52</b>
<b>Net Change in Fund Balances</b>	<b>3,759,854.39</b>		<b>(9,098,889.21)</b>
Fund Balances, Beginning	10,950,257.19		9,098,889.21
<b>Fund Balances, Ending</b>	<b>\$ 14,710,111.58</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

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

Capital Projects - District Bonds	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
	1,137,088.88	2,095,851.36	2,393,359.05
		13,860,706.63	24,891,396.30
		1,026,510.79	24,204,066.86
	24,563,874.07		119,857,506.77
		2,835,605.25	2,835,605.25
22,712.50	356,300.38	28,755.63	4,446,566.23
22,712.50	26,057,263.33	19,847,429.66	178,628,500.46
		4,682,582.69	82,291,814.35
		881,090.18	9,456,101.11
		3,176.83	2,197,072.96
		2,609,293.25	6,157,794.52
		1,497,278.51	3,082,072.92
			477,143.49
			535,039.68
		367,871.48	876,311.14
		133,475.86	9,294,589.27
538,228.78	4,664,896.89		6,760,672.22
		26,596.87	1,116,964.43
		8,336,153.62	8,338,081.42
			3,457,154.95
		4,073.29	6,070,564.49
		71,567.94	11,678,327.95
			3,548,787.80
			1,267,005.51
			180,082.14
3,152,851.42	11,138,363.54	39,054.98	30,035,485.47
725,878.35	2,715,185.41	74,346.37	3,670,968.99
		385,000.00	385,000.00
197,525.00		207,390.24	503,106.01
4,614,483.55	18,518,445.84	19,318,952.11	191,380,140.82
(4,591,771.05)	7,538,817.49	528,477.55	(12,751,640.36)
	137,315.00	242,708.40	10,177,896.10
60,000,000.00			60,000,000.00
		325,000.00	325,000.00
		27,340.15	27,340.15
		(349,389.10)	(349,389.10)
			3,227,571.83
	(9,697,077.40)	(343,503.70)	(12,177,896.10)
60,000,000.00	(9,559,762.40)	(97,844.25)	61,230,522.88
55,408,228.95	(2,020,944.91)	430,633.30	48,478,882.52
4,102,656.73	20,699,436.94	1,592,477.21	46,443,717.28
\$ 59,510,885.68	\$ 18,678,492.03	\$ 2,023,110.51	\$ 94,922,599.80

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

**Net Change in Fund Balances - Governmental Funds** \$ 48,478,882.52

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 23,411,229.84

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the government funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (1,263,722.98)

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

Certificates of Participation Issued	\$ (60,000,000.00)	
Bonds Issued	(325,000.00)	
Bonds Refunded	345,000.00	
Bond Payments	365,000.00	(59,615,000.00)

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

New premium costs	\$ (27,340.15)	
Net decrease in expenses from unamortized premiums	34,190.56	
Net increase in expenses from refunding costs	4,389.10	
Net decrease in deferred charges	1,627.16	12,866.67

Certain hurricane loss recoveries will not be collected for several months after fiscal year end and are not considered as "available" revenues in the governmental funds. They are, however, recorded as revenues in the statement of activities. This represents the increase in loss recoveries from June 30, 2009 to June 30, 2010. 23,255,739.00

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued in the statement of activities. This is the net change in accrued interest in the current period. (4,862.06)

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 used earned in excess of the amount earned paid in the current period. (769,188.30)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (282,288.00)

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. 315,731.68

**Change in Net Assets - Governmental Activities** **\$ 33,539,388.37**

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
June 30, 2010**

		Governmental Activities - Internal Service Funds
<hr/>		
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	6,027,481.75
Due From Other Agencies		205.90
		<hr/>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>6,027,687.65</b>
		<hr/> <hr/>
<b>LIABILITIES</b>		
Current Liabilities:		
Salaries and Benefits Payable	\$	6,192.00
Payroll Deductions and Withholdings		10,137.43
Accounts Payable		354,555.53
Deposits Payable		36,756.62
Deferred Revenue		1,413,938.00
		<hr/>
<b>Total Current Liabilities</b>		<b>1,821,579.58</b>
		<hr/>
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		1,371,000.00
		<hr/>
<b>Total Noncurrent Liabilities</b>		<b>1,371,000.00</b>
		<hr/>
<b>Total Liabilities</b>		<b>3,192,579.58</b>
		<hr/>
<b>NET ASSETS</b>		
Unrestricted		2,835,108.07
		<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>6,027,687.65</b>
		<hr/> <hr/>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010**

		Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services	\$	229,412.00
Charges for Sales		14,829.38
Premium Contributions		16,685,390.67
<b>Total Operating Revenues</b>		<b>16,929,632.05</b>
<b>OPERATING EXPENSES</b>		
Salaries		293,211.24
Employee Benefits		102,816.97
Purchased Services		10,121,046.41
Energy Services		8,601.94
Materials and Supplies		19,706.38
Insurance Claims		8,103,869.47
<b>Total Operating Expenses</b>		<b>18,649,252.41</b>
<b>Operating Loss</b>		<b>(1,719,620.36)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Revenue		35,352.04
<b>Loss Before Transfers</b>		<b>(1,684,268.32)</b>
Transfers In		2,000,000.00
<b>Change in Net Assets</b>		<b>315,731.68</b>
Total Net Assets - Beginning		2,519,376.39
<b>Total Net Assets - Ending</b>	<b>\$</b>	<b>2,835,108.07</b>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010**

		Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Board Funds and Participants	\$	18,355,774.89
Cash Payments to Suppliers for Goods and Services		(9,796,810.56)
Cash Payments for Claims		(6,732,869.47)
Cash Payments to Employees for Services		(397,629.28)
		1,428,465.58
<b>Net Cash Provided by Operating Activities</b>		<b>1,428,465.58</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from Other Funds		2,000,000.00
		2,000,000.00
<b>Net Cash Provided by Noncapital Financing Activities</b>		<b>2,000,000.00</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments		(17,270,056.27)
Proceeds from Disposition of Investments		17,300,613.73
Interest Income		35,352.04
		65,909.50
<b>Net Cash Provided by Investing Activities</b>		<b>65,909.50</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>3,494,375.08</b>
Cash and Cash Equivalents, Beginning		2,533,106.67
		6,027,481.75
<b>Cash and Cash Equivalents, Ending</b>	<b>\$</b>	<b>6,027,481.75</b>

**Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:**

Operating Loss	\$	(1,719,620.36)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Due From Other Agencies		(34.90)
Decrease in Accounts Receivable		27.00
Decrease in Salaries and Benefits Payable		(1,036.86)
Decrease in Payroll Deductions and Withholdings		(564.21)
Increase in Accounts Payable		352,544.17
Increase in Deposits Payable		12,212.74
Increase in Deferred Revenue		1,413,938.00
Increase in Estimated Insurance Claims Payable		1,371,000.00
		3,148,085.94
<b>Total Adjustments</b>		<b>3,148,085.94</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b>1,428,465.58</b>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
June 30, 2010**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 2,353,046.38
<b>LIABILITIES</b>	
Due to Other Funds	\$ 13,083.42
Internal Accounts Payable	<u>2,339,962.96</u>
<b>Total Liabilities</b>	<u>\$ 2,353,046.38</u>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
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 Charlotte County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Charlotte County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Charlotte County.

Criteria for determining if other entities are potential component units that 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 Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, the following component units are included within the District's reporting entity:

- **Blended Component Unit.** The Charlotte School Board Leasing Corporation (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the Charlotte Local Education Foundation, Inc. (Foundation). The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. The financial data reported in the accompanying statements was derived from the audited financial statements from the organization for the fiscal year ended June 30, 2010. The financial information is on file in the District's Administrative Office.

➤ **Basis of Presentation**

**Government-wide Financial Statements** - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the 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 expense is reported as unallocated.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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 or 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).
- Special Revenue – Miscellaneous Fund – to account for the financial resources generated by insurance proceeds and State and Federal reimbursements as a result of the damage caused by Hurricane Charley in August of 2004 to be used for recovering damaged materials, supplies, equipment, and buildings.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases for relocatable school buildings.
- Capital Projects – District Bonds Fund – to account for the financial resources generated by the issuance of Qualified School Construction Bonds to be used for the rebuilding and remodeling of two schools.

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

- Internal Service Funds – to account for the District's Employee Benefits Program and the financing of the Special Projects Center Consortium, for which the District is the predominant participant and fiscal agent.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

➤ **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.

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, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums and charges for sales and services. Operating expenses include the cost of insurance premiums for the payment of claims and the cost of providing products or services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Charlotte Local Education Foundation, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **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) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, and short-term investments in money market funds, including moneys held by a trustee under a paying agent agreement in connection with Qualified Zone Academy Bonds (QZAB) and Qualified School Construction Bonds (QSCB) financing arrangements (See Notes 6 and 7).

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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, amounts placed with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools 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 Florida PRIME, 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 0.67353149 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 Florida PRIME, 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 Florida PRIME.

Investments made locally are reported at fair value (See Note 6) and consist of a Federal National Mortgage Association discount note held by a trustee under a paying agent agreement in connection with a qualified zone academy bond (QZAB) financing arrangement and a money market mutual fund under a paying agent agreement in connection with a QCSB issue. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost using the moving average pricing method, except that United States Department of Agriculture donated foods 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. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	7 - 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 premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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 for occurrences of employee resignations and retirements.

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

➤ **State Revenue Sources**

Significant revenues from State sources for current operations include 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 five 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

The State provides financial assistance to administer certain 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 educational programs. The Department generally requires that these 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 and earmarked 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 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 Charlotte County Property Appraiser, and property taxes are collected by the Charlotte County Tax Collector.

The Board adopted the 2009 tax levy on September 8, 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 Charlotte 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**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.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**3. INVESTMENTS**

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

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 42,784,900.25
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	1,029,204.67
Debt Service Accounts	6 Months	108,442.08
Bank of America Funds - Money Market (1)	44 Day Average	844,222.32
Federal National Mortgage Association (FNMA)		
Discount Note (2)	November 1, 2010	764,406.65
Federated Prime Obligations Fund (1) (3)	32 Day Average	58,508,554.96
<b>Total Investments</b>		<b>\$ 104,039,730.93</b>

- Notes: (1) Investments that have original maturities of three months or less are considered cash equivalents for financial reporting purposes.
- (2) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZAB). See Note 6.
- (3) This investment is held under a paying agent agreement in connection with the Qualified School Construction Bonds (QSCB). See Note 7.

**Interest Rate Risk**

- The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. 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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices.
- 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 SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investment in the Bank of America Money Market Reserves Fund is rated Aaa by Moody's Investor Services and AAAM by Standard and Poor's.
- The District's investment in the FNMA discount note is authorized under a forward delivery agreement with the QZAB paying agent. The forward delivery agreement authorizes investments in securities which mature not later than the next fund deposit date and have an aggregate purchase price which is as close as possible, but does not exceed, the amount in the sinking fund at the time of purchase of the investment. The District's investment in the FHLMC discount note is unrated.
- The District's investment in the Federated Prime Obligations Fund is authorized under an agreement with the QSCB paying agent and is rated Aaa by Moody's Investor Services and AAAM by Standard & Poor's.

Custodial Credit Risk

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 12,814,823.30	\$	\$	\$ 12,814,823.30
Construction in Progress	66,977,805.06	29,232,589.25	5,263,458.30	90,946,936.01
Total Capital Assets Not Being Depreciated	79,792,628.36	29,232,589.25	5,263,458.30	103,761,759.31
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,230,006.02	869,089.44	97,786.23	6,001,309.23
Buildings and Fixed Equipment	335,592,357.46	4,671,349.82	2,765,649.75	337,498,057.53
Furniture, Fixtures, and Equipment	23,597,610.63	3,596,619.13	3,724,054.70	23,470,175.06
Motor Vehicles	11,609,140.84	1,045,670.25	174,159.30	12,480,651.79
Audio Visual Materials and Computer Software	895,898.33	57,928.00	50,089.96	903,736.37
Total Capital Assets Being Depreciated	376,925,013.28	10,240,656.64	6,811,739.94	380,353,929.98
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,846,801.00	223,840.00	92,535.00	3,978,106.00
Buildings and Fixed Equipment	56,770,922.00	6,742,635.00	1,507,178.00	62,006,379.00
Furniture, Fixtures, and Equipment	15,725,892.32	2,727,777.28	3,724,054.70	14,729,614.90
Motor Vehicles	6,513,748.46	1,079,281.35	174,159.30	7,418,870.51
Audio Visual Materials and Computer Software	843,946.56	25,024.12	50,089.96	818,880.72
Total Accumulated Depreciation	83,701,310.34	10,798,557.75	5,548,016.96	88,951,851.13
Total Capital Assets Being Depreciated, Net	293,223,702.94	(557,901.11)	1,263,722.98	291,402,078.85
Governmental Activities Capital Assets, Net	\$ 373,016,331.30	\$ 28,674,688.14	\$ 6,527,181.28	\$ 395,163,838.16

The District's capital assets serve several functions; accordingly, depreciation expense, which totals \$10,798,557.75, is not charged to functions but is shown as unallocated on the statement of activities.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**5. CHANGES IN SHORT-TERM DEBT**

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 17,000,000	\$	\$ 17,000,000	\$

On October 17, 2008, under provisions of Section 1011.13, Florida Statutes, the District issued Tax Anticipation Note, Series 2008, in the amount of \$17 million. The note carried an interest rate of 4 percent and was repaid on October 1, 2009.

**6. QUALIFIED ZONE ACADEMY BONDS PAYABLE**

On November 27, 2006, the District entered into a financing arrangement, which arrangement was characterized as a lease-purchase agreement, with the Charlotte School Board Leasing Corporation, whereby the District secured financing under the Qualified Zone Academy Bonds (QZAB) Program in the amount of \$5,000,000. The QZAB Program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). The District received financing of \$5,000,000 from a local bank on November 27, 2006. Interest on the debt is “paid” by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of the sale. Repayment of the original \$5,000,000 financing proceeds is due in full on November 27, 2022. In connection with the financing, the District entered into a forward delivery agreement requiring annual deposits of \$242,708.40 into a sinking fund for 16 consecutive years beginning November 27, 2007. The forward delivery agreement provides a guaranteed investment return of 3.25 percent per annum, whereby the required deposits, along with the accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. The financing proceeds were designated for technology upgrades/replacements, computer laptops, and instructional equipment/materials at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbor Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School. As of June 30, 2010, the paying agent held \$764,406.65.

**7. CERTIFICATES OF PARTICIPATION**

On May 28, 2010, the District issued bonds in the amount of \$60,000,000 under Charlotte County, Florida Master Lease Certificates of Participation, Series 2010 – Qualified School Construction Bonds (QSCB). The QSCBs were issued through the American Recovery and Reinvestment Act (ARRA) and are primarily issued as principal only and provide Federal tax credits for bond holders in lieu of interest in order to significantly

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reduce the cost of borrowing for public school construction projects. The QSCBs also have a supplemental interest component that was necessary for marketing the bonds to investors.

The financing proceeds are designated for the replacement construction of two schools, Meadow Park Elementary School and Lemon Bay High School.

Bank of America provided a direct financing for the \$60,000,000 issue. Regions Bank is the Trustee for the issue. The District will make semi-annual interest payments based on a 5.7 percent annual interest rate to the trustee. The District will submit an application for a federal interest subsidy reimbursement calculated at an annual rate of 5.29 percent. The difference of approximately \$250,000 a year will be paid from Local Capital Improvement Taxes. This results in a maximum total interest cost of .80 percent.

Repayment of the original \$60,000,000 financing proceeds is due in full on May 1, 2027. Annual principal payments will be required to be deposited into a sinking fund held by the trustee. The District's share of principal and interest payments will be made from Local Capital Improvement Taxes. The District entered into an investment contract agreement for the sinking fund with a yield of 4.10002 percent. The first year sinking fund component payment for principal will be \$3,529,411.76 and is due on May 1, 2011.

**8. BONDS PAYABLE**

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<b>State School Bonds:</b>			
Series 2005B, Refunding	\$ 3,505,000.00	5.0	2018
Series 2009A, Refunding	<u>275,000.00</u>	2.0 - 5.0	2019
<b>Subtotal</b>	<b>3,780,000.00</b>		
Add: Unamortized Premium on Debt	296,041.94		
Less: Unamortized Difference Between Reacquisition Price and Net Carrying Amount of Old Debt	<u>(154,748.35)</u>		
<b>Total Bonds Payable</b>	<b><u>\$ 3,921,293.59</u></b>		

The various bonds were issued by the State Board of Education to finance capital outlay projects 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.

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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	\$ 582,450.00	\$ 395,000.00	\$ 187,450.00
2012	583,500.00	415,000.00	168,500.00
2013	578,150.00	430,000.00	148,150.00
2014	582,000.00	455,000.00	127,000.00
2015	579,250.00	475,000.00	104,250.00
2016-2020	<u>1,776,000.00</u>	<u>1,610,000.00</u>	<u>166,000.00</u>
Total State School Bonds	<u>4,681,350.00</u>	<u>3,780,000.00</u>	<u>901,350.00</u>
Add: Unamortized Premium on Debt	296,041.94	296,041.94	
Less: Unamortized Difference between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(154,748.35)</u>	<u>(154,748.35)</u>	
Total	<u>\$ 4,822,643.59</u>	<u>\$ 3,921,293.59</u>	<u>\$ 901,350.00</u>

**9. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Qualified Zone Academy Bonds	\$ 5,000,000.00	\$	\$	\$ 5,000,000.00	\$
Certificates of Participation		60,000,000.00		60,000,000.00	
Bonds Payable	4,317,533.10	347,951.05	744,190.56	3,921,293.59	395,000.00
Estimated Insurance Claims Payable		8,103,869.47	6,732,869.47	1,371,000.00	
Compensated Absences Payable	11,444,883.94	1,925,593.50	1,156,405.20	12,214,072.24	1,242,820.78
Other Postemployment Benefits Payable	650,997.00	753,224.00	470,936.00	933,285.00	
Total Governmental Activities	<u>\$21,413,414.04</u>	<u>\$71,130,638.02</u>	<u>\$ 9,104,401.23</u>	<u>\$83,439,650.83</u>	<u>\$ 1,637,820.78</u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. Estimated insurance claims payable are generally liquidated with resources of the General Fund. Due to the nature of the liability there is no amount of other postemployment benefits due in one year.

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**10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 474,041.24	\$
Special Revenue:		
ARRA Economic Stimulus		400,824.98
Capital Projects:		
Local Capital Improvement	455,133.62	278,061.60
District Bonds		177,072.02
Nonmajor Governmental		60,132.84
Fiduciary - Agency		13,083.42
<b>Total</b>	<b>\$ 929,174.86</b>	<b>\$ 929,174.86</b>

Interfund receivables and payables are temporary loans of cash between funds for a period of less than 13 months. The temporary loans will be repaid in the next fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 4,775,965.00	\$ 2,137,315.00
Special Revenue:		
Miscellaneous	5,021,907.70	
Capital Projects:		
Local Capital Improvement Fund	137,315.00	9,697,077.40
Nonmajor Governmental	242,708.40	343,503.70
Internal Service	2,000,000.00	
<b>Total</b>	<b>\$ 12,177,896.10</b>	<b>\$ 12,177,896.10</b>

Interfund transfers represent permanent transfers of money between funds. In general, funds are transferred to the General Fund from the Capital Projects Funds to finance various District maintenance projects and equipment purchases along with property and casualty insurance premiums. The transfer into the Special Revenue – Miscellaneous Fund was for hurricane repairs. The transfers out of the General Fund were to repay the Capital Projects – Capital Improvement Fund for disallowed software purchases and to repay the Internal Service Fund to finance the self-insurance health insurance program, which commenced on January 1, 2010.

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**11. 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 are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Funds total \$3,548.42, at June 30, 2010.

Additionally, the District has purchase orders outstanding for projects accounted for in the Special Revenue – Miscellaneous Fund totaling \$11,046,196.60, at June 30, 2010. Since these outstanding purchase orders exceed the available fund balance in this fund, an encumbrance is not shown on the financial statements.

**12. 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>
Categorical Educational Program - Class Size Reduction	\$ 17,280,235.00
Workforce Development Program	2,643,764.00
Florida Education Finance Program	1,296,091.00
School Recognition	873,068.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	694,059.09
Voluntary Prekindergarten Program	611,314.71
Gross Receipts Tax (Public Education Capital Outlay)	240,070.00
Food Service Supplement	101,104.00
Mobile Home License Tax	81,913.12
Discretionary Lottery Funds	45,200.00
Miscellaneous	<u>337,247.94</u>
<b>Total</b>	<b><u><u>\$ 24,204,066.86</u></u></b>

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

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**13. PROPERTY TAXES**

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

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.859	\$ 81,523,307.27
Basic Discretionary Local Effort	0.748	12,549,807.65
Critical Operating Needs	0.250	4,194,432.04
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	25,166,692.92
Total	7.357	\$ 123,434,239.88

**14. 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 Florida 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.

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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.

**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:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	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 PEORP.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$7,699,191.14, \$7,282,462.25, and \$6,978,956.69, respectively, which were equal to the required contributions for each fiscal year. There were 521 PEORP participants during the 2009-10 fiscal year. Required contributions to PEORP totaled \$2,159,417.18.

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.

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**15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

***Plan Description.*** The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District and their eligible dependents are eligible to participate in the District's health and hospitalization plan for medical and prescription drug 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 average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. 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 action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment 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, 77 retirees received other postemployment benefits. The District provided required contributions of \$470,936 toward the annual OPEB cost, net of retiree contributions totaling \$591,944, which represents 0.9 percent of covered payroll.

***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 ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

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Description	Amount
Normal Cost (service cost for one year)	\$ 343,012
Amortization of Unfunded Actuarial Accrued Liability	425,789
Annual Required Contribution	768,801
Interest on Net OPEB Obligation	29,295
Adjustment to Annual Required Contribution	(44,872)
Annual OPEB Cost (Expense)	753,224
Contribution Toward the OPEB Cost	(470,936)
Increase in Net OPEB Obligation	282,288
Net OPEB Obligation, Beginning of Year	650,997
Net OPEB Obligation, End of Year	\$ 933,285

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 years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$		\$
2007-08	564,329	40.7%	334,873
2008-09	592,837	46.7%	650,997
2009-10	753,224	62.5%	933,285

***Funded Status and Funding Progress.*** As of January 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$6,042,832, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,042,832 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$64,612,372, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.4 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 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.

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***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’s OPEB actuarial valuation as of January 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and to estimate the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 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 4 percent per year, and an annual healthcare cost trend rate of 8.5 percent initially for the 2009-10 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after 11 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 15 years.

**16. 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
Charlotte High School:			
Architect	\$ 5,354,854.00	\$ 5,173,185.98	\$ 181,668.02
Contractor Phase II	9,369,047.91	8,460,474.12	908,573.79
Contractor Phase III	45,064,934.94	41,023,239.68	4,041,695.26
Lemon Bay High School:			
Architect	2,525,000.00	1,948,969.69	576,030.31
Contractor	4,923,943.00	281,525.55	4,642,417.45
Meadow Park Elementary School:			
Architect	698,450.00	496,812.50	201,637.50
Contractor	18,217,966.00	95,520.26	18,122,445.74
Punta Gorda Center:			
Architect	905,000.00	124,800.00	780,200.00
<b>Total</b>	<b>\$ 87,059,195.85</b>	<b>\$ 57,604,527.78</b>	<b>\$ 29,454,668.07</b>

**17. CONSORTIUMS**

The District is a member of the Special Projects Center Consortium (Center), a four-district consortium formed to provide educational media to support the educational programs of the schools served by the Center. The Center offices are located in Charlotte County, and the Charlotte County District School Board is the fiscal agent and has established an internal service fund to account for the program.

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The District is also a member of the Small School District Council Consortium, a consortium organized to provide educational information, interpretation, and consultation.

**18. 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. The Board is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. SCERMP is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for SCERMP is composed of superintendents of all participating districts. Employer's Mutual, Inc., serves as fiscal agent for SCERMP.

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The Board makes an annual contribution to the group for its property and casualty coverage. The interlocal agreement and bylaws of the property and casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a contribution deficiency, except to the extent of the coverage available, then such deficiency is solely the responsibility of that member school board. In addition, it is the property and casualty group's policy to reinsure through commercial insurance carriers for workers' compensation and property loss claims in excess of specified amounts. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

From July 1, 2009, to December 31, 2009, the District's health and hospitalization insurance program was administered by an insurance carrier under a minimum premium plan agreement. The insurance carrier invoiced the District monthly for the minimum premium due under the agreement to pay claims submitted by District employees and dependents. The District deposited amounts withheld from the employees and amounts contributed by the Board into the Employee Benefits Program Internal Service Fund to pay premiums due and any additional premium liabilities.

Effective January 1, 2010, the District contracted an administrator to manage the health and hospitalization self-insurance program, including the processing, investigating, and payment of claims. The insurance administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. The District's liability for health and hospitalization coverage is limited by excess insurance to \$225,000 per individual per plan year.

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As of June 30, 2010, a liability in the amount of \$1,371,000 was actuarially determined to cover estimated incurred but not reported insurance claims payable.

The following schedule represents the changes in claim liability for past fiscal year for the District’s self-insurance fund:

	Beginning-of Fiscal-Year Liability	Current-Year Claims and Changes in Estimated Liability	Claims Payments	Balance at Fiscal Year-End
2009-10	<u>\$ 0.00</u>	<u>\$ 8,103,869.47</u>	<u>\$ (6,732,869.47)</u>	<u>\$ 1,371,000.00</u>

Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

**19. 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	Employee Benefits Program	Special Projects Center
Total Assets	<u>\$ 6,027,687.65</u>	<u>\$ 5,989,885.81</u>	<u>\$ 37,801.84</u>
Liabilities and Net Assets:			
Salaries and Benefits Payable	\$ 6,192.00	\$ 1,615.60	\$ 4,576.40
Payroll Deductions and Withholdings	10,137.43	3,883.56	6,253.87
Accounts Payable	354,555.53	352,342.51	2,213.02
Deposits Payable	36,756.62	36,756.62	
Deferred Revenue	1,413,938.00	1,413,938.00	
Estimated Insurance Claims Payable	1,371,000.00	1,371,000.00	
Unrestricted Net Assets	<u>2,835,108.07</u>	<u>2,810,349.52</u>	<u>24,758.55</u>
Total Liabilities and Net Assets	<u>\$ 6,027,687.65</u>	<u>\$ 5,989,885.81</u>	<u>\$ 37,801.84</u>
Revenues:			
Premium Contributions	\$ 16,685,390.67	\$ 16,685,390.67	\$
Charges for Services	229,412.00		229,412.00
Charges for Sales	14,829.38		14,829.38
Interest Income	<u>35,352.04</u>	<u>29,008.70</u>	<u>6,343.34</u>
Total Revenues	16,964,984.09	16,714,399.37	250,584.72
Total Expenses	(18,649,252.41)	(18,354,981.05)	(294,271.36)
Transfers In	<u>2,000,000.00</u>	<u>2,000,000.00</u>	
Change in Net Assets	<u>\$ 315,731.68</u>	<u>\$ 359,418.32</u>	<u>\$ (43,686.64)</u>

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JUNE 30, 2010**

**20. NON-FEDERAL SHARE FOR HEAD START PROGRAMS**

For the Head Start and Early Head Start grants, the District is required to provide 20 percent of the total amount expended using non-Federal funds and donated goods and services. Local funds expended were for facilities, equipment and district support staff, such as therapists, psychologists and teachers. Donated goods and services were provided by the community and were used for the benefit of the program. During this fiscal year, for grant number 04CH3161/43 with a period ending October 31, 2009, the required amount of non-Federal share is \$176,950.04. For grant number 04CH3161/44 the required amount of non-Federal share during the period November 1, 2009, through June 30, 2010, is \$345,762.80.

The funds awarded from the National Center for Physical Development and Outdoor Play, grant number 04CH3160-000, did not require matching contributions.

For the grant awarded under the American Recovery and Reinvestment Act, grant number 04SE3161/01, the District received a waiver for the non-Federal share.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2010**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 165,000.00	\$ 165,000.00	\$ 152,109.15	\$ (12,890.85)
Federal Through State and Local	578,000.00	588,122.00	810,912.06	222,790.06
State	25,445,337.00	23,669,738.00	23,177,556.07	(492,181.93)
Local:				
Property Taxes	93,824,766.00	94,169,930.00	95,293,632.70	1,123,702.70
Miscellaneous	2,871,781.00	3,451,646.00	3,810,915.84	359,269.84
<b>Total Revenues</b>	<b>122,884,884.00</b>	<b>122,044,436.00</b>	<b>123,245,125.82</b>	<b>1,200,689.82</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	74,549,615.00	74,000,720.42	72,497,134.45	1,503,585.97
Pupil Personnel Services	8,095,774.00	8,113,025.00	7,896,391.97	216,633.03
Instructional Media Services	2,221,666.00	2,234,513.10	2,139,043.99	95,469.11
Instruction and Curriculum Development Services	3,641,192.00	3,279,781.00	3,228,498.91	51,282.09
Instructional Staff Training Services	860,285.00	835,860.00	830,976.80	4,883.20
Instruction Related Technology	537,837.00	483,179.00	477,143.49	6,035.51
School Board	577,019.00	596,656.00	535,039.68	61,616.32
General Administration	357,227.00	365,294.00	362,094.55	3,199.45
School Administration	7,149,252.00	7,321,823.00	7,222,963.18	98,859.82
Facilities Acquisition and Construction				
Fiscal Services	1,101,391.00	1,090,637.00	1,054,543.11	36,093.89
Food Services				
Central Services	3,187,262.00	3,256,217.00	3,216,821.89	39,395.11
Pupil Transportation Services	6,488,790.00	6,361,198.00	6,066,491.20	294,706.80
Operation of Plant	12,839,649.00	12,229,257.00	11,571,663.01	657,593.99
Maintenance of Plant	3,704,320.00	3,618,403.79	3,548,787.80	69,615.99
Administrative Technology Services	1,372,880.00	1,325,726.00	1,267,005.51	58,720.49
Community Services	120,989.00	131,947.00	126,072.44	5,874.56
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		22,160.69	22,160.69	
Debt Service:				
Interest and Fiscal Charges	375,000.00	98,191.00	98,190.77	0.23
<b>Total Expenditures</b>	<b>127,180,148.00</b>	<b>125,364,589.00</b>	<b>122,161,023.44</b>	<b>3,203,565.56</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,295,264.00)</b>	<b>(3,320,153.00)</b>	<b>1,084,102.38</b>	<b>4,404,255.38</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,923,870.00	4,923,870.00	4,775,965.00	(147,905.00)
Insurance Loss Recoveries		39,193.00	37,102.01	(2,090.99)
Transfers Out		(2,137,315.00)	(2,137,315.00)	
<b>Total Other Financing Sources (Uses)</b>	<b>4,923,870.00</b>	<b>2,825,748.00</b>	<b>2,675,752.01</b>	<b>(149,995.99)</b>
<b>Net Change in Fund Balances</b>	<b>628,606.00</b>	<b>(494,405.00)</b>	<b>3,759,854.39</b>	<b>4,254,259.39</b>
Fund Balances, Beginning	10,950,257.00	10,950,257.00	10,950,257.19	0.19
<b>Fund Balances, Ending</b>	<b>\$ 11,578,863.00</b>	<b>\$ 10,455,852.00</b>	<b>\$ 14,710,111.58</b>	<b>\$ 4,254,259.58</b>

Special Revenue - ARRA Economic Stimulus Fund				Special Revenue - Miscellaneous Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 180,959.00	\$ 145,398.54	\$ 145,398.54	\$ (13,160.18)	\$ 3,000,000.00	\$ 3,000,000.00	\$	\$ (3,000,000.00)
11,701,739.00	9,095,848.91	9,082,688.73					
					20,000.00	227,881.88	207,881.88
11,882,698.00	9,241,247.45	9,228,087.27	(13,160.18)	3,000,000.00	3,020,000.00	227,881.88	(2,792,118.12)
7,092,640.00	5,112,097.21	5,112,097.21					
644,088.00	678,618.96	678,618.96					
57,905.00	53,903.14	53,903.14			71,000.00	949.00	70,051.00
508,586.00	320,002.36	320,002.36					
1,146,578.00	753,817.61	753,817.61					
259,730.00	146,345.11	146,345.11					
1,891,427.00	1,938,150.23	1,938,150.23					
109,800.00				33,702,977.00	17,162,224.94	1,557,546.55	15,604,678.39
	719.98	719.98		34,605.00	35,260.00	35,104.47	155.53
	15,087.98	1,927.80	13,160.18	861.00	861.00		861.00
				152,529.00	303,040.00	240,333.06	62,706.94
82,778.00							
35,097.00	35,097.00	35,097.00					
54,069.00	54,009.70	54,009.70					
	133,398.17	133,398.17			20,419,082.06	15,705,215.53	4,713,866.53
11,882,698.00	9,241,247.45	9,228,087.27	13,160.18	33,890,972.00	37,991,468.00	17,539,148.61	20,452,319.39
				(30,890,972.00)	(34,971,468.00)	(17,311,266.73)	17,660,201.27
				10,108,321.00	13,714,795.00	5,021,907.70	(8,692,887.30)
				11,683,760.00	12,157,782.00	3,190,469.82	(8,967,312.18)
				21,792,081.00	25,872,577.00	8,212,377.52	(17,660,199.48)
				(9,098,891.00)	(9,098,891.00)	(9,098,889.21)	1.79
				9,098,891.00	9,098,891.00	9,098,889.21	(1.79)
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets  (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL)  (B-A)	Funded Ratio  (A/B)	Covered Payroll  (C)	UAAL as a Percentage of Covered Payroll  [(B-A)/C]
July 1, 2007	\$ 0	\$ 4,981,327	\$ 4,981,327	0.0%	\$ 93,787,311	5.3%
January 1, 2010	0	6,042,832	6,042,832	0.0%	64,612,372	9.4%

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

**2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

The January 1, 2010, unfunded actuarial accrued liability of \$6,042,832 was significantly higher than the July 1, 2007, liability of \$4,981,327 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The amortization period was changed from 28 remaining years to 15 years to reflect the short period of time during which the majority of benefits are expected to be paid. Most benefits will be paid prior to age 65.
- The number of enrolled retirees was expected to increase from 72 in July 1, 2007, to 77 as of January 1, 2010. Retiree medical coverage was expected to be 35 percent; however, this has changed to 20 percent. Previously, it was assumed that no retiree would continue coverage beyond age 65, however, now, it is assumed that 95 percent of the retirees will discontinue coverage at age 65.
- Additionally, the number of active employees was not expected to decrease in the previous valuation; however, the number decreased from 2,471 (1,828 of which had medical coverage) to 2,366 (1,652 of which had medical coverage) in the current valuation.
- In the previous valuation, the cost of coverage was expected to increase from \$605 to \$746 per employee per month; however, the cost actually increased to \$776 per employee per month for the 2009-10 fiscal year. At the same time, the premium payments required from retirees increased from 0.2 percent to 0.7 percent.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to increase at 11 percent in the first year, flowed by 10.5 percent, and decreasing by a 0.5 percent each year to an ultimate rate of 5 percent thereafter. In the current valuation, the trend is assumed to be an increase of 8.5 percent in the first year, decreasing by a 0.5 percent each year to an ultimate rate of 5 percent.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 1,051,915.86	\$
National School Lunch Program	10.555	300, 350	3,875,178.13	
Summer Food Service Program for Children	10.559	323	178,087.27	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	395,057.00	
<b>Total Child Nutrition Cluster</b>			<b>5,500,238.26</b>	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	96,640.82	
Fresh Fruit and Vegetable Program	10.582	None	94,951.65	
<b>Total United States Department of Agriculture</b>			<b>5,691,830.73</b>	
<b>United States Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grants	84.007	N/A	8,593.00	
Federal Pell Grant Program	84.063	N/A	530,304.00	
<b>Total Direct</b>			<b>538,897.00</b>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	3,373,867.26	
Special Education - Preschool Grants	84.173	267	44,016.02	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	1,965,117.53	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	61,008.37	
Sarasota County District School Board:				
Special Education - Grants to States	84.027	None	10,122.00	
<b>Total Special Education Cluster</b>			<b>5,454,131.18</b>	
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,729,082.54	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223	919,399.29	
<b>Total Title I, Part A Cluster</b>			<b>3,648,481.83</b>	
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	54,032.52	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	37,637.84	
<b>Total Education for Homeless Children and Youth Cluster</b>			<b>91,670.36</b>	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	22,121.16	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	25,526.62	
<b>Total Educational Technology State Grants Cluster</b>			<b>47,647.78</b>	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	5,488,516.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	488,842.26	2,195.50
<b>Total State Fiscal Stabilization Fund Cluster</b>			<b>5,977,358.26</b>	<b>2,195.50</b>
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	238,684.00	
Career and Technical Education - Basic Grants to States	84.048	151, 161	276,092.26	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	51,847.32	
Even Start - State Educational Agencies	84.213	219	189,403.57	
Charter Schools	84.282	298	156,100.50	
English Language Acquisition Grants	84.365	102	46,706.68	
Improving Teacher Quality State Grants	84.367	224	1,083,562.89	
Washington County District School Board:				
Reading First State Grants	84.357	None	9,550.00	
<b>Total Indirect</b>			<b>17,271,236.63</b>	<b>2,195.50</b>
<b>Total United States Department of Education</b>			<b>17,810,133.63</b>	<b>2,195.50</b>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Health and Human Services:</b>				
Head Start Cluster:				
Direct:				
Head Start	93.600 (3)	N/A	2,090,851.36	
ARRA - Head Start	93.708 (3)	N/A	145,398.54	
<b>Total Direct</b>			<b>2,236,249.90</b>	
Indirect:				
Head Start Body Start National Center for Physical Development and Outdoor Play: Head Start	93.600	None	5,000.00	
<b>Total United States Department of Health and Human Services</b>			<b>2,241,249.90</b>	
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Division of Emergency Management: Hazard Mitigation Grant	97.039	None	1,086,135.03	
Florida Department of Education: Homeland Security Grant Program	97.067	None	50,953.85	
<b>Total United States Department of Homeland Security:</b>			<b>1,137,088.88</b>	
<b>United States Department of Defense:</b>				
Direct:				
Navy Junior Reserve Officers Training Corps	None	N/A	152,109.15	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 27,032,412.29</b>	<b>\$ 2,195.50</b>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 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 - National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (3) Head Start. For CFDA 93.600, expenditures include \$707,800.15 for grant number/program year 04CH3161/43 and \$1,383,051.21 for grant number/program year 04CH3161/44. For CFDA 93.708, all of the reported expenditures were for grant number/program year 04SE3161/01.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Charlotte County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District'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.

### **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, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report 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 report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
March 17, 2011



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Charlotte County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **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 District 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*. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010.

### Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct

and material effect on a major Federal program to determine 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 was not designed to identify all deficiencies in internal control 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.

Pursuant to Section 11.45(4), Florida Statutes, this report 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 report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
March 17, 2011

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA); and Head Start Cluster (CFDA Nos. 93.600 and 93.708-ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$810,972
Auditee qualified as low-risk auditee?	Yes

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**ADDITIONAL MATTERS**

**Finding No. 1: Adult General Education Courses**

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2009-81, Laws of Florida, Specific Appropriation 111, states that from the funds provided in Specific Appropriations 9 and 111, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a course and the withdrawal date or end-of-course date, whichever is sooner. In addition, school districts are required to develop procedures for withdrawing students.

For the 2009-10 fiscal year, the District reported 89,858 adult education contact hours for 1,157 adult education students to FDOE. Our review of enrollment reporting for 9 students who attended 13 courses disclosed that the District overreported contact hours for 5 students, ranging from 1 to 14 hours, and underreported contact hours for 6 students, ranging from 6 to 145 hours. These errors occurred mainly because there were new personnel performing these functions, who were not completely familiar with the reporting process; incorrect reenrollment dates; clerical errors; and lack of supervisory review of the attendance reporting process. A similar finding was noted in our report No. 2010-136.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

**Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to FDOE. The District should also contact FDOE to determine proper resolution of the misreported hours.**

**Finding No. 2: Performance Assessments**

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies.

Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel and school administrators based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes. Instructional personnel and school administrators typically maintained records, in consultation with their supervisors, to establish specific goals addressing the improvement of student performance based on FCAT scores and other standardized tests, and met periodically with their supervisor throughout the school year to assess the progress in meeting the projected goals. However, District records did not sufficiently evidence a correlation between student performance and the employee performance assessments nor that such assessments were based primarily on student performance. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Without sufficiently documenting the extent to which student performance affects employee performance, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

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**Recommendation:** The District should ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.

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### **Finding No. 3: Compensation and Salary Schedules**

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Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the District to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedule and applicable union contracts for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The instructional personnel salary schedule and union contracts did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.

The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic coaches, school club directors, and high school and middle school deans. However the salary schedule did not evidence consideration of differentiated pay based on school demographics, critical shortage areas, and level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.

- **School-based Administrators.** The school-based administrators’ salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee’s performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

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**Recommendation:** The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

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**Finding No. 4: Vendor Payment Processing**

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As similarly noted in our report No. 2010-136, three accounts payable clerks and one accounting assistant had update access privileges to revise or add vendor information in the accounting system and could process certain vendor payments, resulting in incompatible duties. Based on responses to our inquiries and our understanding of the accounting system, the system could not separate these access privileges. To partially compensate for these deficiencies, other personnel performed budgetary and expenditures monitoring and the four employees were unable to initiate purchase orders; however, given the incompatible duties, there is an increased risk that these incompatible duties could allow payments to fictitious vendors without being prevented or detected in a timely manner.

**Recommendation:** The District should review the ongoing appropriateness of access privileges and separate incompatible duties, such as vendor update and payment processing responsibilities, or implement compensating controls such as an independent periodic review and approval of vendor payments.

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**Finding No. 5: Information Technology – Written Policies and Procedures**

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Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. As also noted in our report No. 2010-136, the District lacked written policies and procedures for the following IT functions:

- Limiting the granting of end-user administrative rights to workstations.
- Monitoring the workstations of end users who have been granted administrative rights

Although the District granted administrative rights to workstations to a limited number of end users, those rights allowed end users the ability to, among other things, change computer security settings or install unauthorized software. Without written policies and procedures defining which end users should be granted administrative rights and how the use of administrative rights will be monitored, the risk is increased that District IT controls may not be followed consistently and in a manner pursuant to management’s expectations.

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**Recommendation:** The District should establish written policies and procedures to document management’s expectations for the performance of the IT functions described above.

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**Finding No. 6: Information Technology – User Authentication**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As noted in our report No. 2010-136, our audit disclosed certain security controls related to user authentication that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:** The District should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

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**FEDERAL AWARDS FINDINGS**

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

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-136.

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

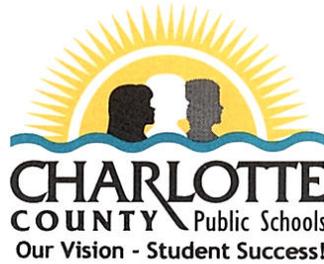
*CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2010-136 (1)	Improving Teacher Quality State Grants (CFDA No. 84.367) - Reporting	The District did not timely submit the required cash advance reconciliation to the Florida Department of Education.	Corrected.	

EXHIBIT A  
MANAGEMENT'S RESPONSE

Douglas K. Whittaker, Ed.D.  
Superintendent



School Board  
Andrea Messina, Chairman  
Lee Swift, Vice-Chairman  
Alleen Miller  
Barbara Rendell  
Ian Vincent

Mr. David Martin  
Auditor General  
111 West Madison Street  
G74 Claude Pepper Building  
Tallahassee, Florida 32302

Dear Mr. Martin:

We have received the list of preliminary and tentative audit findings and hereby submit our written response as required by Section 11.45(4)(d), Florida Statute.

During this year we will review and determine the appropriate course of action needed to address each of the conditions or deficiencies reported to us. We will endeavor to develop and adopt the rules, policies and procedures that will be required to accomplish the recommendations outlined in this report.

Thank you for the professional manner in which this audit was conducted. We appreciate the insight that your staff provides to us which helps us to continuously improve the operations of Charlotte County Public Schools.

Sincerely,

Dr. Doug Whittaker, Ed D  
Superintendent of Schools