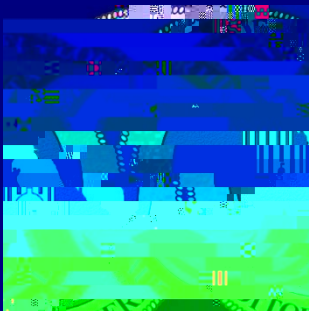


For the Fiscal Year Ended
June 30, 2010



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 or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.





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 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

. 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

(pages 3 through 11) and

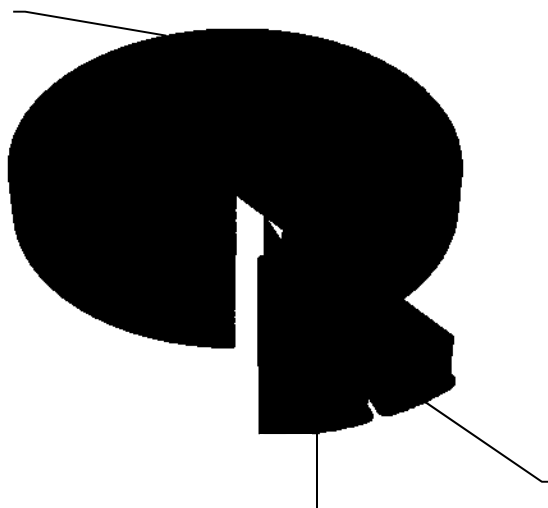
(pages 50 through 53) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 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.

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



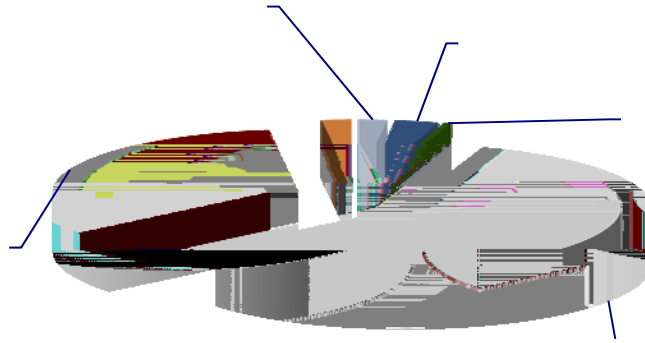
The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

Operating Results for the Year				
	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-10	6-30-09		
Program Revenues:				
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%
General Revenues:				
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%
Total Revenues	203,665,743.85	196,968,020.67	6,697,723.18	3.40%
Functions/Program Expenses:				
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%
Total Functions/Program Expenses	170,126,355.48	173,873,905.13	(3,747,549.65)	-2.16%
Increase in Net Assets	\$ 33,539,388.37	\$ 23,094,115.54	\$ 10,445,272.83	45.23%

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:



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:

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:

- ¾ District operating school taxes increased by 8.6 percent as a result of the increase in property tax millage rates.
- ¾ 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 moneyclin

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.

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.



Primary Government
Governmental
Activities

Component
Unit

ASSETS



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
Primary Government				
Governmental Activities:				
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			
Total Primary Government	\$ 170,126,355.48	\$ 3,733,740.65	\$ 5,792,934.73	\$ 934,129.09
Component Unit				
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				
Total General Revenues and Extraordinary Items				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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



	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Special Revenue- Miscellaneous Fund
ASSETS			
Cash and Cash Equivalents	\$ 14,016,391.21	\$	\$

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
	455,133.62 96,169.70	341,133.79	1,766,011.12 23,255,739.00 7,763.87
58,508,554.96		284,330.34	673,748.41
		764,406.65	58,508,554.96 764,406.65
\$ 61,903,590.33	\$ 24,822,899.51	\$ 2,493,988.58	\$ 129,341,106.51
\$	\$ 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
		63,456.56	23,255,739.00 63,456.56
2,392,704.65	6,144,407.48	470,878.07	34,418,506.71
			251,428.53
25,760,622.68	6,430,635.03	41,100.24 284,330.34 872,848.73	32,422,418.28 673,748.41 872,848.73
33,750,263.00			33,750,263.00
			13,879,204.65
		824,831.20	824,831.20
	12,247,857.00		12,247,857.00
59,510,885.68	18,678,492.03	2,023,110.51	94,922,599.80

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Special Revenue- Miscellaneous Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 152,109.15	\$ 145,398.54	\$
Federal Through State and Local State	810,912.06 23,177,556.07	9,082,688.73	
Local:			
Property Taxes	95,293,632.70		

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

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

ui,ento -0.0183 To8-oTc 0.0466 Tw -29.903 -1.306 Td [(B)-46(on)-8(ds

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

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 6,027,481.75
Due From Other Agencies	205.90
	6,027,687.65
TOTAL ASSETS	\$ 6,027,687.65
LIABILITIES	
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
	1,821,579.58
Total Current Liabilities	1,821,579.58
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	1,371,000.00
	1,371,000.00
Total Noncurrent Liabilities	1,371,000.00
Total Liabilities	3,192,579.58
NET ASSETS	
Unrestricted	2,835,108.07
TOTAL LIABILITIES AND NET ASSETS	\$ 6,027,687.65

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

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for Services	\$	229,412.00
Charges for Sales		14,829.38
Premium Contributions		16,685,390.67
Total Operating Revenues		16,929,632.05
OPERATING EXPENSES		
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
Total Operating Expenses		18,649,252.41
Operating Loss		(1,719,620.36)
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue		35,352.04
Loss Before Transfers		(1,684,268.32)
Transfers In		2,000,000.00

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

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
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
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	2,000,000.00
	2,000,000.00
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(17,270,056.27)
Proceeds from Disposition of Investments	17,300,613.73
Interest Income	35,352.04
	65,909.50
Net Increase in Cash and Cash Equivalents	3,494,375.08
Cash and Cash Equivalents, Beginning	2,533,106.67
Cash and Cash Equivalents, Ending	\$ 6,027,481.75

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
Total Adjustments	3,148,085.94
Net Cash Provided by Operating Activities	\$ 1,428,465.58

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

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



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.

³/₄ _____

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.

³/₄ _____

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.

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.

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

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
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		

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.

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.

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

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><u>\$ 4,822,643.59</u></u>	<u><u>\$ 3,921,293.59</u></u>	<u><u>\$ 901,350.00</u></u>

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	\$21,413,414.04	\$71,130,638.02	\$ 9,104,401.23	83,439,650.83	

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.

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>
 Total	 <u><u>\$ 24,204,066.86</u></u>

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

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	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	 <u>7.357</u>	 <u>\$ 123,434,239.88</u>

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.

_____ . 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.

_____ . 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.

_____ . 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:

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 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

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.

_____ . 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 time and the terminal





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.



	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 165,000.00	\$ 165,000.00	\$ 152,109.15	\$ (12,890.85)
Federal Through State and Local	578,000.00			

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(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%

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

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:

- ¾ 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.
- ¾ 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.
- ¾ 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.
- ¾ 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.
- ¾ 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.



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	Pass -	Amount of	Amount
--	------------	--------	-----------	--------

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

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.

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 co a d6

r11.56(t)2(atemb)-iscl- T5(n)6(nts)-5(ci)her tedliance l03 Tc 0ts, woal c aoTf6(e)1(c)-ao matlat(wqu5(ad(atebeu)-3(latiopoc)-4r des



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.

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.

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

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.	

