

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
PORT CHARLOTTE, FLORIDA**

**JUNE 30, 2011**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
PORT CHARLOTTE, FLORIDA**

**JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board (the District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which are reported herein as agency funds, and which represent 15% of the assets and 41% 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. Both these entities 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a 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 regarding 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements as a whole.

*Purvis, Gray and Company, LLP*

November 15, 2011  
Sarasota, Florida

# DISTRICT SCHOOL BOARD OF CHARLOTTE COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management of the District School Board of Charlotte County have prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the District's financial statements found on pages 13-58.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-2011 fiscal year are as follows:

- The assets of the District exceeded its liabilities at June 30, 2011 by \$436,776,980.72.
- The District's total net assets increased by \$2,378,126.70, a .66 percent increase for the year.
- General revenues total \$169,308,882.11, or 94.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$10,689,737.54 or 5.9 percent.
- At June 30, 2011, the District's governmental funds reported combined fund balances of \$54,398,994.44, a decrease of \$40,523,605.36 for the year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$5,513,299.61 at June 30, 2011, or 4.5 percent of total General Fund expenditures.
- During the current year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,837,889.74. This may be compared to last year's results in which General Fund revenues exceeded expenditures by \$3,759,854.39

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. 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 and business-type activities of the Primary Government presented on the accrual basis of accounting. The statement of net assets provides information about the government'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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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The government-wide statements present the District's activities in the following 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 which are 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 or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial 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:

- 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 Funds, Special Revenue Fund – Miscellaneous, Capital Projects – District Bonds Fund, and the 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(Continued)*

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- Proprietary Funds – Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are 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 fund and the Special Projects 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, 2011, compared to net assets as of June 30, 2010.

The largest portion of the District's net assets, \$387,461,499.47 (88.9 percent) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets, \$41,377,215.26 (9.5 percent), represents resources that are subject to external restrictions on how they may be used. The remaining net assets, \$6,938,265.99 (1.6 percent), are unrestricted net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

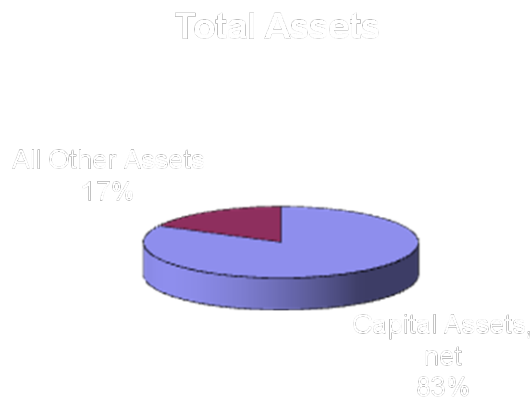
The following is a summary of the District's net assets as of June 30, 2011, compared to net assets as of June 30, 2010.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**District School Board of Charlotte County, Florida's Net Assets**  
**As of June 30, 2011 and June 30, 2010**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Current and Other Assets</b>	<b>92,096,101.46</b>	<b>134,465,862.98</b>
<b>Capital Assets</b>	<b>438,113,335.33</b>	<b>395,163,838.16</b>
<b>Total Assets</b>	<b>530,209,436.79</b>	<b>529,629,701.14</b>
<b>Long-Term Liabilities</b>	<b>82,980,594.93</b>	<b>83,439,650.83</b>
<b>Other Liabilities</b>	<b>10,451,861.14</b>	<b>12,177,077.29</b>
<b>Total Liabilities</b>	<b>93,432,456.07</b>	<b>95,616,728.12</b>
<b>Net Assets:</b>		
<b>Invested in Capital Assets -</b>		
<b>Net of Debt</b>	<b>387,461,499.47</b>	<b>385,340,397.86</b>
<b>Restricted</b>	<b>42,377,215.26</b>	<b>21,270,402.28</b>
<b>Unrestricted</b>	<b>6,938,265.99</b>	<b>27,402,172.88</b>
<b>Total Net Assets</b>	<b>436,776,980.72</b>	<b>434,012,973.02</b>

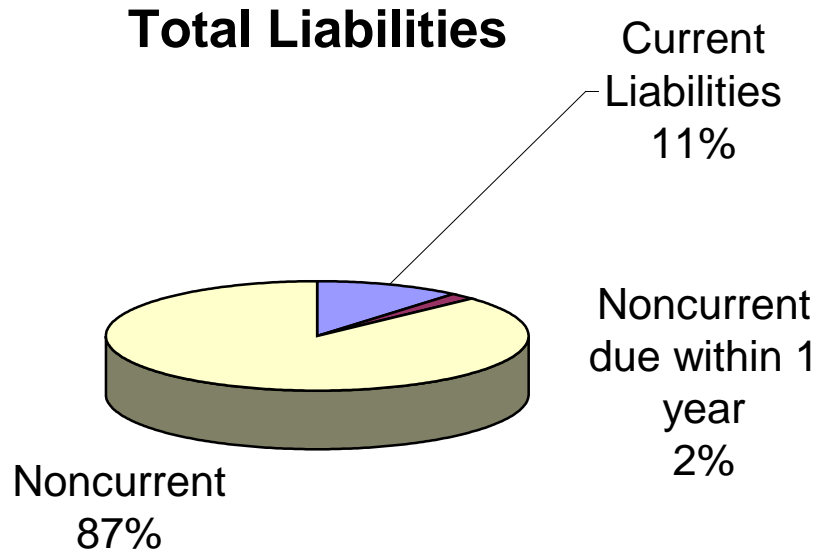
The following graphs show in an analytical manner, the District's net assets as a percentage of the total for each group, assets, liabilities and net assets.



Total assets, distinguishing between capital and other assets

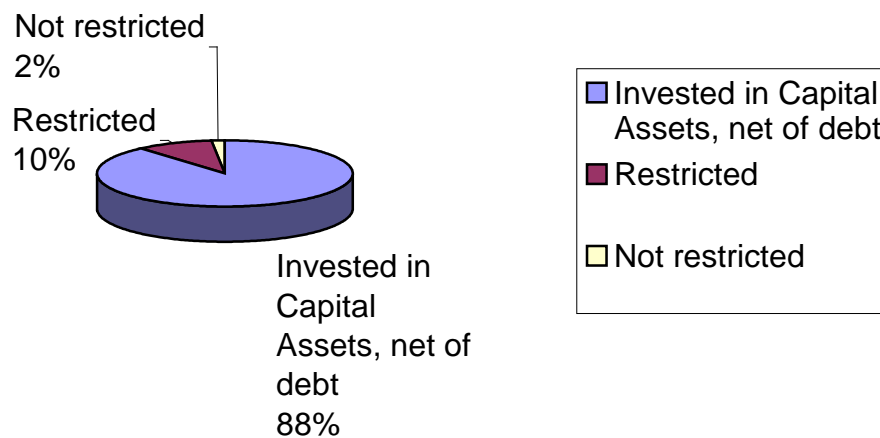


MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)



Total liabilities, distinguishing between long-term and other liabilities

### Total Net Assets



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

**Governmental Activities** – Governmental activities increased the District's net assets by \$2,378,126.70.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

**District School Board of Charlotte County, Florida's  
Operating Results and Changes in Net Assets  
For the Fiscal Year Ending June 30, 2011 and June 30, 2010**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Program Revenues:</b>		
Charges for Services	\$3,463,710.99	\$3,733,740.65
Operating Grants and Contributions	5,957,893.80	5,792,934.73
Capital Grants and Contributions	1,268,132.75	934,129.09
<b>General Revenues:</b>		
Property Taxes, Operational Purposes	88,789,730.05	95,293,632.70
Property Taxes, Capital Projects	20,989,534.98	24,563,874.07
Grants and Contributions Not Restricted to Specific Programs	53,450,369.63	69,369,395.73
Unrestricted Investment Earnings	629,001.64	637,311.93
Miscellaneous	5,450,245.81	3,340,724.95
<b>Total Revenues</b>	<b>179,998,619.65</b>	<b>203,665,743.85</b>
<b>Functions/Program Expenses:</b>		
Instruction	84,583,326.73	83,718,511.31
Pupil Personnel Services	9,398,171.95	9,590,534.37
Instructional Media Services	2,230,504.10	2,215,789.43
Instruction & Curriculum Development	6,257,498.40	6,370,908.57
Instructional Staff Training Services	3,299,053.30	3,109,089.64
Instruction Related Technology	511,306.36	479,237.66
Board of Education	783,241.89	545,559.17
General Administration	876,601.47	886,226.26
School Administration	9,544,279.43	9,544,731.32
Facilities Acquisition and Construction	4,990,964.03	5,045,935.22
Fiscal Services	1,044,974.55	1,077,105.33
Food Services	8,356,071.09	8,384,501.60
Central Services	5,683,364.96	3,630,976.14
Pupil Transportation Services	6,444,826.49	6,134,076.35
Operation of Plant	11,917,636.46	11,767,271.14
Maintenance of Plant	3,760,951.24	3,599,279.39
Administrative Technology Services	1,368,070.13	1,288,050.75
Community Services	175,838.62	184,140.75
Interest on Long-Term Debt	3,354,320.34	492,150.35
Loss on Disposal of Capital Assets	0.00	1,263,722.98
Unallocated Depreciation Expenses	13,039,491.41	10,798,557.75
<b>Total Functions/Program Expenses</b>	<b>177,620,492.95</b>	<b>170,126,355.48</b>
<b>Increase in Net Assets</b>	<b>2,378,126.70</b>	<b>33,539,388.37</b>

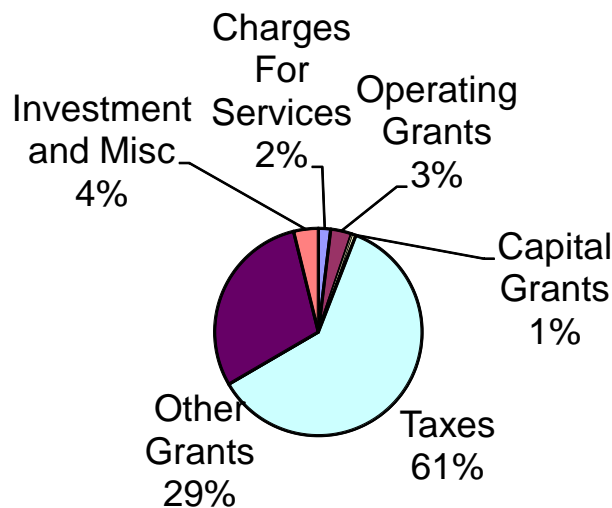
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Continued)*

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The largest revenue source for the 2010-2011 fiscal year is from the property tax levy, which resulted in total revenue for operational and capital purposes of \$109,779,265.03, or 60.7 percent of total revenues before extraordinary items. Property taxes decreased by \$10,078,241.74 or 8.4 percent due to decreases in property values. Revenues from State sources for current operations are primarily 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 total \$27,775,389.26 for the 2010-2011 fiscal year, of which \$4,352,773 is attributable to FEFP funding. Capital grants and contributions increased by \$334,003.66 or 35.8 percent, due mainly to an increase in appropriations in the 2010-2011 fiscal year for Public Education Capital Outlay.

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

**Total Revenues By Source Before  
Extraordinary Items**

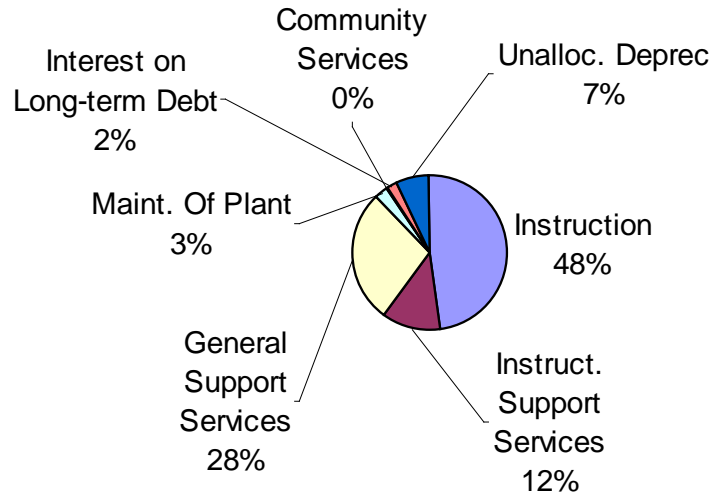


Instructional expenses represent 48 percent of local governmental expenses in the 2010-2011 fiscal year. Instructional expenses increased by \$864,815.42 or 1.0 percent from the previous year due mainly to an increase in pay rate and FRS benefits.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

A table of expenses by function is shown:

**Total Expenses by Function**



**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Major Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$54,398,994.44, a decrease of \$40,523,605.36 for the year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basis financial statements for the fiscal years ended June 30, 2011 and June 30, 2010.

Fund Balance	2011	2010	Increase (Decrease)
<b>Major Governmental Funds:</b>			
General Fund	\$16,548,001	\$14,710,112	\$1,837,889
Special Revenue:			
ARRA Funds	0	0	0
Miscellaneous	(8,326,631)	0	(8,326,631)
Capital Projects:			
Local Capital Improvement Fund	21,718,326	18,678,492	3,039,834
District Bonds	18,519,487	59,510,886	(40,991,399)
Other Governmental Funds (nonmajor)	5,939,811	2,023,110	3,916,701
<b>Total Fund Balances</b>	<b>\$54,398,994</b>	<b>\$94,922,600</b>	<b>\$(40,523,606)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$5,513,299.61 while the total fund balance is \$16,548,001.32. The unassigned fund balance decreased by \$4,167,511.83 while the total fund balance increased by \$1,837,889.74 during the fiscal year.

- District school taxes decreased by 7.0% which accounts for the majority of the decrease in revenues for the year.
- Total expenditures increased by \$421,402.29, or .3%.
- Transfers out to other funds decreased by \$1,682,227.83 or 78.7%.

The District received Special Revenue – ARRA Economic Stimulus Funds this year of \$11,708,963.76, the majority of which was for reimbursements of expenditures of salaries and benefits.

The Special Revenue – Miscellaneous Fund has a total fund balance of \$(8,326,630.85). The negative fund balance reflects the fact that the fund has borrowed from the capital projects fund while it is waiting for reimbursement for hurricane damages caused by Hurricane Charley in August 2004.

The District Bonds fund balance is \$18,519,486.77 all of 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 previous fiscal year, all of which is to fund these two new projects.

The Capital Projects – Local Capital Improvement fund balance is \$21,718,326.15, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$3,039,834.12, due mainly to tax revenues.

### BUDGET VARIANCES IN THE GENERAL FUND

In analyzing the budget variances between the original and final budgets, there were no significant variations in revenue or expenses. 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

During fiscal year ending June 30, 2011, the following major capital transactions occurred.

The District, as part of the hurricane recovery process, continues in its rebuilding process. All six of the schools to be rebuilt have been completed. These facilities are being replaced using funds from insurance proceeds, along with help from FEMA and the State of Florida.

In addition, Meadow Park Elementary School is almost complete and will begin classes in their new building at the start of the school year. Additionally, the first few phases to the Lemon Bay High School construction plans are nearly complete.

Under District policy, school buses are to be replaced every thirteen years. Total cost of new buses for the current year totaled \$883,914.

#### Long-term Debt

There were no additions or refundings of District debt during the 2010-2011 fiscal year. At June 30, 2011 the District has total long-term debt outstanding of \$8,508,797.02, which is comprised of Qualified Zone Academy and State School Bonds. Additionally, the outstanding balance of Certificates of Participation was \$60,000,000. During the year, retirement of debt amounted to \$395,000. Additional information on the District's long-term debt can be found in the Notes to the Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Concluded)*

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For fiscal year 2011-2012, the District anticipates a reduction in revenues of approximately \$20 million dollars. About half of that amount is American Recovery and Reinvestment Act (ARRA) funds that have expired. The balance is due to a reduction in tax levies, as a result of declining gross taxable value and the expiration of the Critical Needs Ad Valorem Tax Levy. In a collaboration with our employee unions, a Budget Advisory Committee was formed comprised of all employee groups to make recommendations to the Superintendent regarding ways to reduce spending for the upcoming year, including changes to compensation. Based on those recommendations as well as other changes, the District anticipates expenditure savings of approximately \$10 million dollars. In addition, the District has appropriated \$10,238,471 in unassigned fund balance for spending in fiscal year 2011-2012. As a result, this amount was moved from unassigned to assigned fund balance at June 30, 2011. The Budget Advisory Committee will continue its work to make the additional recommendations that will be required to bring revenues and expenditures into a more balanced relationship in future years.

**REQUESTS FOR INFORMATION**

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<b>Primary Government</b>	
<b>Assets</b>	<b>Governmental</b>	<b>Component</b>
	<b>Activities</b>	<b>Unit</b>
Cash and Cash Equivalents	\$ 35,202,645.63	\$ 71,961.00
Investments	1,052,728.10	
Accounts Receivable	11,508.14	9,045.00
Due from Other Agencies	763,745.60	
Due from Insurance Consortium	22,117,754.16	
Prepaid Items	24,702.00	723,222.00
Inventories	716,522.13	6,500.00
Deferred Charges	11,797.02	
Restricted Cash	31,142,845.96	
Restricted Investments	1,051,852.72	
Capital Assets:		
Nondepreciable Capital Assets	62,769,487.30	
Depreciable Capital Assets, Net	375,343,848.03	
<b>Total Assets</b>	<b>530,209,436.79</b>	<b>810,728.00</b>
 <b>Liabilities and Net Assets</b>		
 <b>Liabilities</b>		
Salaries and Benefits Payable	853,071.70	
Payroll Deductions and Withholdings	771,521.59	
Accounts Payable	1,737,579.92	307.00
Construction Contracts Payable	2,580,289.80	
Construction Contracts Retainage Payable	2,754,514.49	
Unearned Revenue	1,534,477.33	
Deposits Payable	100,656.31	6,500.00
Accrued Interest Payable	119,750.00	
Long-term Liabilities:		
Portion Due Within One Year	1,652,949.45	
Portion Due After One Year	81,327,645.48	
<b>Total Liabilities</b>	<b>93,432,456.07</b>	<b>6,807.00</b>
 <b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	387,461,499.47	
Restricted for:		
State Required Carry Over Programs	376,382.12	
Debt Service	4,562,040.45	
Capital Projects	36,180,772.09	
Food Service	1,258,020.60	
Other Purposes		784,329.00
Unrestricted	6,938,265.99	19,592.00
<b>Total Net Assets</b>	<b>\$ 436,776,980.72</b>	<b>\$ 803,921.00</b>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities</b>			
Instruction	\$ 84,583,326.73	\$ 680,186.26	\$
Pupil Personnel Services	9,398,171.95		
Instructional Media Services	2,230,504.10		
Instruction and Curriculum Development Services	6,257,498.40		
Instructional Staff Training Services	3,299,053.30		
Instruction Related Technology	511,306.36		
School Board	783,241.89		
General Administration	876,601.47		
School Administration	9,544,279.43		
Facilities Acquisition and Construction	4,990,964.03		
Fiscal Services	1,044,974.55		
Food Services	8,356,071.09	2,527,522.11	5,957,893.80
Central Services	5,683,364.96		
Pupil Transportation Services	6,444,826.49	256,002.62	
Operation of Plant	11,917,636.46		
Maintenance of Plant	3,760,951.24		
Administrative Technology Services	1,368,070.13		
Community Services	175,838.62		
Unallocated Interest on Long-term Debt	3,354,320.34		
Unallocated Depreciation Expense	13,039,491.41		
<b>Total Governmental Activities</b>	<u>\$ 177,620,492.95</u>	<u>\$ 3,463,710.99</u>	<u>\$ 5,957,893.80</u>
<b>Component Unit</b>			
Charlotte Local Education Foundation, Inc.	\$ 227,799.00	\$ -	\$ -

**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**

**Change in Net Assets**

**Net Assets - Beginning of Year (As Restated)**

**Net Assets - End of Year**

See accompanying notes.



Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government Governmental Activities	Component Unit
\$	\$ (83,903,140.47)	\$
	(9,398,171.95)	
	(2,230,504.10)	
	(6,257,498.40)	
	(3,299,053.30)	
	(511,306.36)	
	(783,241.89)	
	(876,601.47)	
	(9,544,279.43)	
	(4,990,964.03)	
	(1,044,974.55)	
	129,344.82	
	(5,683,364.96)	
	(6,188,823.87)	
695,003.00	(11,917,636.46)	
	(3,065,948.24)	
	(1,368,070.13)	
	(175,838.62)	
573,129.75	(2,781,190.59)	
	(13,039,491.41)	
<u>\$ 1,268,132.75</u>	<u>(166,930,755.41)</u>	<u>-</u>
<u>\$ -</u>		<u>(227,799.00)</u>
	88,789,730.05	
	20,989,534.98	
	53,450,369.63	193,949.00
	629,001.64	289.00
	5,450,245.81	32,901.00
	<u>169,308,882.11</u>	<u>227,139.00</u>
	2,378,126.70	(660.00)
	434,398,854.02	804,581.00
	<u>\$ 436,776,980.72</u>	<u>\$ 803,921.00</u>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Special Revenue ARRA Economic Stimulus Fund</b>	<b>Special Revenue Miscellaneous Fund</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 17,558,477.04	\$ 47,037.12	\$
Investments	704,169.80		
Accounts Receivable	9,998.76		
Due from Other Funds	202,386.62		
Due from Other Agencies	271,037.21	115,942.71	
Due from Insurance Consortium			22,117,754.16
Prepaid Items	24,702.00		
Inventories	395,146.59		
Restricted Cash and Cash Equivalents			
Restricted Investments			
<b>Total Assets</b>	<u>19,165,918.02</u>	<u>162,979.83</u>	<u>22,117,754.16</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Salaries, Benefits and Payable	632,114.69	53,727.39	4,289.33
Payroll Deductions and Withholdings	602,920.61	16,538.26	3,592.49
Accounts Payable	1,371,858.07	13,474.37	198,046.07
Sales Tax Payable			
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		79,239.81	8,120,702.96
Deferred Revenue	11,023.33		22,117,754.16
Deposits Payable			
<b>Total Liabilities</b>	<u>2,617,916.70</u>	<u>162,979.83</u>	<u>30,444,385.01</u>
<b>Fund Balances</b>			
Nonspendable:			
Prepays	24,702.00		
Inventories	395,146.59		
Restricted:			
State Required Carryover Programs	376,382.12		
Debt Service			
Capital Projects			(8,326,630.85)
Food Service			
Assigned for Subsequent Years' Expenditures	10,238,471.00		
Unassigned	5,513,299.61		
<b>Total Fund Balances</b>	<u>16,548,001.32</u>	<u>-</u>	<u>(8,326,630.85)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 19,165,918.02</u>	<u>\$ 162,979.83</u>	<u>\$ 22,117,754.16</u>

See accompanying notes.

<b>Capital Projects District Bonds</b>	<b>Capital Projects Local Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,216,832.60	\$ 8,434,355.81	\$ 1,046,591.82	\$ 28,303,294.39
	208,346.34	140,211.96	1,052,728.10
		1,509.38	11,508.14
	14,219,139.88		14,421,526.50
		349,346.97	736,326.89
			22,117,754.16
			24,702.00
		321,375.54	716,522.13
27,611,654.95		3,531,191.01	31,142,845.96
		1,051,852.72	1,051,852.72
<u>28,828,487.55</u>	<u>22,861,842.03</u>	<u>6,442,079.40</u>	<u>99,579,060.99</u>
	6,493.32	150,598.00	847,222.73
	12,782.13	126,300.47	762,133.96
		58,092.25	1,641,470.76
		38.50	38.50
1,573,660.10	1,006,629.70		2,580,289.80
2,636,903.76	117,610.73		2,754,514.49
6,098,436.92		95,777.10	14,394,156.79
			22,128,777.49
		71,462.03	71,462.03
<u>10,309,000.78</u>	<u>1,143,515.88</u>	<u>502,268.35</u>	<u>45,180,066.55</u>
			24,702.00
		321,375.54	716,522.13
			-
			376,382.12
		4,681,790.45	4,681,790.45
18,519,486.77	21,718,326.15		31,911,182.07
		936,645.06	936,645.06
			10,238,471.00
			5,513,299.61
<u>18,519,486.77</u>	<u>21,718,326.15</u>	<u>5,939,811.05</u>	<u>54,398,994.44</u>
<u>\$ 28,828,487.55</u>	<u>\$ 22,861,842.03</u>	<u>\$ 6,442,079.40</u>	<u>\$ 99,579,060.99</u>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Total Fund Balances - Governmental Funds</b>		\$ 54,398,994.44
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
<p>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.</p>		
Capital Assets	\$536,725,496.32	
Accumulated Depreciation	<u>(98,612,160.99)</u>	438,113,335.33
<p>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.</p>		
		4,039,144.70
<p>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.</p>		
		11,797.02
<p>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.</p>		
		(119,750.00)
<p>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.</p>		
		22,117,754.16
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>		
<p>Long-term liabilities at year-end consist of:</p>		
Qualified Zone Academy Bonds Payable	(5,000,000.00)	
Certificates of Participation Payable	(60,000,000.00)	
Bonds Payable	(3,511,797.02)	
Compensated Absences Payable	(12,034,756.91)	
Other Postemployment Benefits Payable	<u>(1,237,741.00)</u>	<u>(81,784,294.93)</u>
<b>Total Net Assets - Governmental Activities</b>		<u>\$ 436,776,980.72</u>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>Special Revenue ARRA Economic Stimulus Fund</b>	<b>Special Revenue Miscellaneous Fund</b>
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 156,955.41	\$ 29,150.91	\$ -
Federal Through State and Local	663,617.81	11,679,812.85	
State	26,295,133.92		
Local:			
Property Taxes	88,789,730.05		
Charges for Services - Food Service			
Miscellaneous	3,928,576.63		(2,253.49)
<b>Total Revenues</b>	<u>119,834,013.82</u>	<u>11,708,963.76</u>	<u>(2,253.49)</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	71,116,712.75	8,792,335.57	
Pupil Personnel Services	7,911,154.64	545,020.14	
Instructional Media Services	2,118,216.50	23,919.95	69,574.74
Instruction and Curriculum Development Services	3,367,425.10	170,268.13	
Instructional Staff Training Services	1,126,240.78	694,239.14	
Instruction Related Technology	488,118.32	23,188.04	
School Board	779,755.14		
General Administration	457,538.94	130,954.21	
School Administration	7,858,045.69	1,692,791.26	
Facilities Acquisition and Construction			298,815.32
Fiscal Services	1,056,764.44		37,398.77
Food Services			
Central Services	2,707,880.24		233,685.16
Pupil Transportation Services	6,461,387.90	2,477.86	
Operation of Plant	11,879,144.67		
Maintenance of Plant	3,749,968.39		
Administrative Technology Services	1,365,401.16		
Community Services	117,314.89	57,103.20	
Fixed Capital Outlay:			
Facilities Acquisition and Construction		24,676.03	8,979,502.35
Other Capital Outlay	21,356.18		
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>(Total Expenditures)</b>	<u>122,582,425.73</u>	<u>12,156,973.53</u>	<u>9,618,976.34</u>
<b>(Deficiency) Excess of Revenues</b>			
<b>(Under) Over Expenditures</b>	<u>(2,748,411.91)</u>	<u>(448,009.77)</u>	<u>(9,621,229.83)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	4,997,134.01	448,009.77	289,542.94
Insurance Loss Recoveries	44,254.81		1,005,056.04
Transfers (out)	(455,087.17)		
<b>Total Other Financing Sources (Uses)</b>	<u>4,586,301.65</u>	<u>448,009.77</u>	<u>1,294,598.98</u>
<b>Net Change in Fund Balances</b>	1,837,889.74	-	(8,326,630.85)
<b>Fund Balances, Beginning of Year</b>	14,710,111.58	-	-
<b>Fund Balances, End of Year</b>	<u>\$ 16,548,001.32</u>	<u>\$ -</u>	<u>\$ (8,326,630.85)</u>

See accompanying notes.

<b>Capital Projects District Bonds</b>	<b>Capital Projects Local Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ - 86,573.02	\$ 2,166,555.64 14,188,900.01 1,480,255.34	\$ 2,352,661.96 26,618,903.69 27,775,389.26
	20,989,534.98		109,779,265.03
		2,527,522.11	2,527,522.11
245,129.98	114,241.25	2,991,597.27	7,277,291.64
<u>245,129.98</u>	<u>21,190,349.25</u>	<u>23,354,830.37</u>	<u>176,331,033.69</u>
		4,671,604.62	84,580,652.94
		941,709.71	9,397,884.49
			2,211,711.19
		2,683,006.12	6,220,699.35
		1,480,623.17	3,301,103.09
			511,306.36
			779,755.14
		317,444.94	905,938.09
		131,374.21	9,682,211.16
1,299,650.35	3,691,828.68		5,290,294.35
		27,689.58	1,121,852.79
		8,356,071.09	8,356,071.09
			2,941,565.40
		5,814.59	6,469,680.35
		64,713.80	11,943,858.47
			3,749,968.39
			1,365,401.16
			174,418.09
39,932,378.54	5,977,779.69	175,266.11	55,089,602.72
		30,016.59	51,372.77
		395,000.00	395,000.00
4,500.00		3,352,025.11	3,356,525.11
<u>41,236,528.89</u>	<u>9,669,608.37</u>	<u>22,632,359.64</u>	<u>217,896,872.50</u>
<u>(40,991,398.91)</u>	<u>11,520,740.88</u>	<u>722,470.73</u>	<u>(41,565,838.81)</u>
		3,999,670.40	9,734,357.12
			1,049,310.85
	(8,480,906.76)	(805,440.59)	(9,741,434.52)
	<u>(8,480,906.76)</u>	<u>3,194,229.81</u>	<u>1,042,233.45</u>
(40,991,398.91)	3,039,834.12	3,916,700.54	(40,523,605.36)
59,510,885.68	18,678,492.03	2,023,110.51	94,922,599.80
<u>\$ 18,519,486.77</u>	<u>\$ 21,718,326.15</u>	<u>\$ 5,939,811.05</u>	<u>\$ 54,398,994.44</u>

See accompanying notes.

**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, 2011**

**Net Change in Fund Balances - Governmental Funds** \$ (40,523,605.36)

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.

Capital Outlay	\$ 55,688,030.63	
Depreciation Expense	<u>(13,039,491.41)</u>	42,648,539.22

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.

(84,923.05)

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:

Bond Payments	<u>395,000.00</u>	395,000.00
---------------	-------------------	------------

Premiums, refunding losses 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 governmental-wide statements:

Amortization of Debt Issuance Costs	(1,363.24)	
Amortization of Debt Premiums	30,041.63	
Amortization of Refunding Losses	<u>(15,545.06)</u>	13,133.33

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 change in the deferred  
amounts from June 30, 2010 to June 30, 2011.

(1,137,984.84)

See accompanying notes.

**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, 2011**  
*(Concluded)*

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.	\$ (10,928.56)
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 in excess of the amount earned in the current period.	179,315.33
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.	(304,456.00)
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.	<u>1,204,036.63</u>
<b>Change in Net Assets - Governmental Activities</b>	<u><u>\$ 2,378,126.70</u></u>

See accompanying notes.



**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 6,899,351.24
Due from Other Agencies	49.00
<b>Total Assets</b>	6,899,400.24
 <b>Liabilities</b>	
Current Liabilities:	
Salaries and Benefits Payable	5,848.97
Payroll Deductions and Withholdings	9,387.63
Accounts Payable	96,070.66
Deposits Payable	29,194.28
Unearned Revenue	1,523,454.00
<b>Total Current Liabilities</b>	1,663,955.54
 Noncurrent Liabilities:	
Estimated Insurance Claims Payable	1,196,300.00
<b>Total Liabilities</b>	2,860,255.54
 <b>Net Assets</b>	
Unrestricted	4,039,144.70
 <b>Total Liabilities and Net Assets</b>	\$ 6,899,400.24

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 226,100.00
Charges for Sales	13,296.00
Premium Contributions	18,970,921.48
Other Income	318,876.63
<b>Total Operating Revenues</b>	<b>19,529,194.11</b>
<b>Operating Expenses</b>	
Salaries	287,743.27
Employee Benefits	94,265.48
Purchased Services	3,736,415.86
Energy Services	10,697.57
Materials and Supplies	14,609.17
Insurance Claims	14,191,856.11
<b>Total Operating Expenses</b>	<b>18,335,587.46</b>
<b>Operating Income</b>	<b>1,193,606.65</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	3,352.58
<b>Income Before Transfers</b>	<b>1,196,959.23</b>
Transfers in	7,077.40
<b>Change in Net Assets</b>	<b>1,204,036.63</b>
<b>Total Net Assets - Beginning of Year</b>	<b>2,835,108.07</b>
<b>Total Net Assets - End of Year</b>	<b>\$ 4,039,144.70</b>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Board Funds	\$ 15,213,601.21
Cash Received from Participants	4,098,826.83
Other Receipts	318,876.63
Cash Payments to Suppliers for Goods and Services	(4,020,207.47)
Cash Payments for Claims	(14,366,556.11)
Cash Payments to Employees for Services	(383,101.58)
<b>Net Cash Provided by Operating Activities</b>	<b>861,439.51</b>
 <b>Cash Flows from Noncapital Financing Activities</b>	
Transfer from Other Funds	7,077.40
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>7,077.40</b>
 <b>Cash Flows from Investing Activities</b>	
Interest Income	3,352.58
<b>Net Cash Provided by Investing Activities</b>	<b>3,352.58</b>
 <b>Net Increase in Cash and Cash Equivalents</b>	<b>871,869.49</b>
 <b>Cash and Cash Equivalents, Beginning of Year</b>	<b>6,027,481.75</b>
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 6,899,351.24</b>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>	
Operating Income	\$ 1,193,606.65
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease (Increase) in Due from Other Agencies	156.90
Increase (Decrease) in Salaries and Benefits Payable	(343.03)
Increase (Decrease) in Payroll Deductions and Withholdings	(749.80)
Increase (Decrease) in Accounts Payable	(258,484.87)
Increase (Decrease) in Deposits Payable	(7,562.34)
Increase (Decrease) in Unearned Revenue	109,516.00
Increase (Decrease) in Estimated Insurance Claims Payable	(174,700.00)
Total Adjustments	(332,167.14)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 861,439.51</b>

See accompanying notes.

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES  
FIDUCIARY FUNDS - AGENCY  
JUNE 30, 2011**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ 2,337,856.75
<b>Total Assets</b>	<u>2,337,856.75</u>
<b>Liabilities</b>	
Due to Other Funds	27,369.71
Internal Accounts Payable	<u>2,310,487.04</u>
<b>Total Liabilities</b>	<u>\$ 2,337,856.75</u>

See accompanying notes.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**Note 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 the application of these criteria, the following component units are included within the District's reporting entity:

- **Blended Component Unit**—The Charlotte County 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 of the Foundation for the fiscal year ended June 30, 2011. 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

■ **Government-wide Financial Statements (Concluded)**

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.

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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Concluded)**

■ **Fund Financial Statements (Concluded)**

- **Capital Projects - District Bonds Fund**—to account for the financial resources generated by the issuance of the 2010 Qualified School Construction Bonds to be used for the rebuilding and remodeling of two schools, and unexpended funds from the issuance of the 2006 Qualified Zone Academy Bonds.
- **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 thereon.

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 monies, collected at several schools in connection with school, student athletic, class, and club activities.

**Basis of Accounting**

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

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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Concluded)**

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 GASB. 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 (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the District's policy to use committed resources first, then assigned, and then unassigned as needed.

The Foundation 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.

**New Pronouncements**

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The District has disclosed information about fund balance reporting in a subsequent note titled fund balance reporting.

**Cash and Cash Equivalents**

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Certain investments are classified as cash equivalents if they meet this criteria. These 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 and mutual funds.



**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deposits and Investments**

Cash deposits are held in qualified public depositories as required under Florida law. These 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. Cash deposits at June 30, 2011 totaled \$11,497.00 and cash on hand was \$4,458.29. In addition, the District has \$2,387,311.31 in cash in Trust at June 30, 2011, with the Florida School Boards Insurance Trust related to its self-insurance program.

Investments are reported at fair value. Investments include those authorized under Florida Statute 218.415(17) or under agreements approved in connection with debt issuances. The statute allows investments in:

- The Local Government Surplus Funds Trust Fund, 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 (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- Interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and
- Direct obligations of the United States Treasury.

The Local Government Surplus Funds Trust Fund is operated by the State of Florida Board of Administration and includes the Florida PRIME and the Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The state pools are Securities and Exchange Commission Rule 2a7-like external investment pools, similar to money market funds in which shares are owned in the fund rather than the underlying investments. Florida PRIME is carried at amortized cost, which approximates market value. Fund B is accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 of amortized cost at June 30, 2011. 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 balances within Florida PRIME.

The sinking fund forward delivery agreement related to the District's 2006 Qualified Zone Activities Bonds authorizes investments in direct obligations of the U.S. Government or its agencies, including FNMA and FHLMC, provided the maturity is on or before October 30, 2022.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deposits and Investments (Concluded)**

The master trust and supplemental master trust agreement related to the District's 2010 Qualified School Construction Bonds contain a list of permitted investments, with written Board approval.

**Restricted Cash and Investments**

Cash and investments are restricted in connection with debt covenants. Following is a summary of restricted cash and investments at June 30, 2011:

2006 Qualified Zone Academy Bonds	Sinking Fund	\$ 1,052,763.59
2010A Qualified School Construction Bonds	Sinking Fund	3,530,280.14
2010A Qualified School Construction Bonds	Project Account	<u>27,611,654.95</u>
<b>Total Restricted Cash and Investments</b>		<b><u>\$ 32,194,698.68</u></b>

**Receivables/Due from Others**

Accounts receivables, due from other agencies, and due from insurance consortium are reported at their gross value, and where appropriate are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts at June 30, 2011 is \$0. Amounts due from insurance consortium represent the District's estimate of remaining insurance proceeds receivable from hurricane damage and business interruption from Hurricane Charley in 2004. The amount is based on a proposed settlement agreement, and is offset by deferred revenue in the governmental fund because it is not available at year end. It is expected to be received in 2012.

**Prepaid Items and Inventories**

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 consumed 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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Concluded)**

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.

Capital assets are depreciated using group depreciation and the straight-line method over the following original estimated useful lives of the asset group:

<b>Description</b>	<b>Estimated Lives</b>
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.

**Accrued Compensated Absences**

Full-time District employees are entitled to annual paid vacation based on length of employment. No more than thirty (30) days of vacation time may be carried over from one year to the next. Sick leave is accrued at a rate of one day per month, with no upper limit. Accumulated unpaid sick leave is paid at retirement or death, as a percentage of the amount accrued based on length of employment. Full-time employees may elect to participate in a sick-leave bank. Other leaves of absence may be granted with or without pay, as provided in District policies.

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.

**Other 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, refunding losses, and issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized bond premium/discount and refunding loss.

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

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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

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

The Board adopted the 2010 tax levy on September 7, 2010. 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**District Property Taxes (Concluded)**

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.

**Note 2 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

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). Amounts may be moved between activities by resolution of the School Board, prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis of accounting as is used for financial reporting in governmental funds.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 2 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY (Concluded)**

**Budgetary Information (Concluded)**

- 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.

**Note 3 - INVESTMENTS**

As of June 30, 2011, the District has the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration (SBA):		
Florida PRIME (1)	31-Day Average	\$ 32,705,851.48
Fund B Surplus Funds Trust Fund (Fund B)	7.16-Year Average	953,981.38
State of Florida - Debt Service Account	6 Months	98,746.72
Bank of America Funds – Money Market (1)	40 Days	94,803.43
Federal Home Loan Mortgage Corporation (FHLMC)		
Discount Note (2)	October 31, 2011	1,051,852.72
The Core Fund Class Y (1) (3)	Immediate Withdrawal	27,610,499.94
Federated Prime Obligations Fund (1) (3)	Immediate Withdrawal	<u>3,531,070.14</u>
<b>Total Investments</b>		<b><u>\$ 66,046,805.81</u></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 and sinking fund forward delivery agreement in connection with the Qualified Zone Academy Bonds (QZAB). See Note 6.
  - (3) These investments are held under a master trust agreement and supplemental master trust agreement in connection with the Qualified School Construction Bonds (QSCB). See Note 7.

**Interest Rate Risk**

- The District does not have a formal investment policy that limits 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 31 days at June 30, 2011. 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 7.16 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2011. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 3 - INVESTMENTS (Continued)**

**Interest Rate Risk (Concluded)**

- The District's investment in the FHLMC discount note is authorized under a forward delivery agreement (FDA) with the QZAB paying agent. The FDA guarantees an interest rate of 3.25%. The Provider of the FDA bears the interest rate risk.
- The District's investments in the Core Fund Class Y (Mutual Fund) and the Federated Prime Obligations Fund are authorized under a master trust and supplemental master trust agreement with the QSCB trustee. The District bears the interest rate risk on these securities.
- The District's investments in the State of Florida debt service accounts will be used for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk (and credit risk) for this account.

**Credit Risk**

- Section 218.415(17), Florida Statutes, limits investments to ones considered to have low credit risks. Money market funds must be Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments in interest-bearing time deposits must be in qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy does not further limit its investment choices.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- The Bank of America Money Market Reserves Fund is rated Aaa by Moody's Investor Services and AAAM by Standard and Poor's.
- The FHLMC discount note is unrated. The Core Fund Class Y is unrated.
- The Federated Prime Obligations Fund 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 3 - INVESTMENTS (Concluded)**

**Custodial Credit Risk (Concluded)**

- The District's investment in the FHLMC discount note is not held by an independent third party custodian.

**Note 4 - CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 12,814,823.30			\$ 12,814,823.30
Construction in Progress	90,946,936.01	\$ 51,199,722.64	\$ (92,191,994.65)	49,954,664.00
Total Capital Assets Not Being Depreciated	103,761,759.31	51,199,722.64	(92,191,994.65)	62,769,487.30
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,001,309.23	272,757.53		6,274,066.76
Buildings and Fixed Equipment	337,498,057.53	91,801,472.47	(235,897.05)	429,063,632.95
Furniture, Fixtures, and Equipment	23,470,175.06	3,448,575.47	(2,263,425.20)	24,655,325.33
Motor Vehicles	12,480,651.79	1,123,964.39	(655,694.20)	12,948,921.98
Audio Visual Materials and Computer Software	903,736.37	419,413.78	(309,088.15)	1,014,062.00
Total Capital Assets Being Depreciated	380,353,929.98	97,066,183.64	(3,464,104.60)	473,956,009.02
Less Accumulated Depreciation:				
Improvements Other Than Buildings	(3,978,106.00)	(237,243.00)		(4,215,349.00)
Buildings and Fixed Equipment	(62,006,379.00)	(8,573,047.00)	150,974.00	(70,428,452.00)
Furniture, Fixtures, and Equipment	(14,729,614.90)	(2,944,242.60)	2,263,425.20	(15,410,432.30)
Motor Vehicles	(7,418,870.51)	(1,176,441.70)	655,694.20	(7,939,618.01)
Audio Visual Materials and Computer Software	(818,880.72)	(108,517.11)	309,088.15	(618,309.68)
Total Accumulated Depreciation	(88,951,851.13)	(13,039,491.41)	3,379,181.55	(98,612,160.99)
Total Being Depreciated, Net	291,402,078.85	84,026,692.23	(84,923.05)	375,343,848.03
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 395,163,838.16</u>	<u>\$ 135,226,414.87</u>	<u>\$ (92,276,917.70)</u>	<u>\$ 438,113,335.33</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totals \$13,039,491.41, is not charged to functions but is shown as unallocated on the statement of activities.

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

The District did not have any short-term debt during the year ending June 30, 2011.



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DISTRICT SCHOOL BOARD  
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**Note 6 - QUALIFIED ZONE ACADEMY BONDS PAYABLE**

On November 27, 2006, the District entered into a financing arrangement, characterized as a lease-purchase agreement, with the Charlotte School Board Leasing Corporation (the Leasing Corporation), a blended component unit, 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). 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 lender (Bank of America) was established by the United States Government at the time of the sale.

The financing was accomplished through the issuance of a Series 2006-QZAB Note on November 27, 2006. The \$5,000,000 note 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. The Leasing Corporation issued the bonds, purchased the equipment, then leased the equipment to the District under terms of the lease-purchase agreement.

Repayment of the original \$5,000,000 note is due in full on November 27, 2022. Rent paid by the District to the Leasing Corporation corresponds to the annual debt service requirements on the bonds. Rents are paid from “Available Revenues” of the District, including capital outlay millage revenues. The lease term ends on the date the note is paid in full.

In connection with the financing, the Leasing Corporation assigned its rights to the rent collections to a paying agent (US Bank), and the District entered into a sinking fund forward delivery agreement with the paying agent whereby the District will deposit 16 annual rent payments of \$242,708.40, beginning in 2007, into a sinking fund held by the Custodian (US Bank), as security for the bonds. The Provider of the forward delivery agreement (Bank of America) has guaranteed the investment return of 3.25% per annum, which together with the required annual rent deposits, will be sufficient to repay the debt at maturity. At June 30, 2011, the market value of the sinking fund account was \$1,052,763.59.

**Note 7 - QUALIFIED SCHOOL CONSTRUCTION BOND PAYABLE**

In 2010, the District established a master lease-purchase program for the lease-purchase financing of various current and future educational facilities and sites. The general terms of this program were determined pursuant to a Master Lease-Purchase Agreement and Master Trust Agreement between the District and the Leasing Corporation.

On May 28, 2010, the District entered into a financing arrangement with the Leasing Corporation under this program whereby the District secured financing under the Qualified School Construction Bond (QSCB) Program in the amount of \$60,000,000. The QSCB Program was established by Section 1521 of the American Recovery and Reinvestment Act (ARRA) and codified in Section 54A and 54F of the Internal Revenue Code. Among other things, the program provides low interest cost financing to school districts to construct certain education facilities. Interest on the debt is paid by the District, and reimbursed in part by the federal government.

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**Note 7 - QUALIFIED SCHOOL CONSTRUCTION BOND PAYABLE (Concluded)**

The financing was accomplished through the issuance of a School Board of Charlotte County, Florida Master Lease Program – Master Lease Certificates, Series 2010A – Qualified School Construction Bond (QSCB) in the principal amount of \$60,000,000. The certificate proceeds were received from the lender (Bank of America) and designated for the replacement construction of two schools, Meadow Park Elementary School and Lemon Bay High School. Under terms of Lease Schedule 2010A to the Master Lease-Purchase Agreement, and other related agreements, the District provided a ground lease to the Leasing Corporation, then would construct, acquire, install and lease-purchase the projects from the Leasing Corporation.

Repayment of the original \$60,000,000 certificate proceeds is due in full on May 1, 2027. Interest payments are due semi-annually based on a 5.70% annual interest rate, and a federal interest subsidy reimbursement is available at an annual rate of 5.29%. Rent paid by the District to the Leasing Corporation corresponds to the annual debt service requirements on the bonds. Rents are paid from “Available Revenues” of the District, including capital outlay millage revenues. The lease term ends on the date the certificates are paid in full.

In connection with the financing and pursuant to a Series 2010A Supplemental Master Trust Agreement, the Leasing Corporation assigned its rights to the rent collections to a Trustee (Regions Bank), requiring the District to deposit the 17 annual “basic” rent payments of \$3,529,412 (corresponding to the principal portion of the bond), beginning in 2011, into a sinking fund held by the Trustee, as security for the bond. These amounts will be sufficient to pay the \$60 million principal balance at maturity. Investment income earned in the Sinking Fund can be used to reduce future annual rent payments. At June 30, 2011, the market value of the sinking fund account was \$3,530,280.14. The Project account balance is \$27,611,654.95.

**Note 8 - STATE SCHOOL BONDS PAYABLE**

State school bonds payable at June 30, 2011, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2005B, Refunding	\$ 3,150,000.00	5.0	2018
Series 2009A, Refunding	<u>235,000.00</u>	2.0 – 5.0	2019
Subtotal	3,385,000.00		
Add: Unamortized Premium on Debt	266,000.31		
(Less): Unamortized Difference Between Reacquisition Price and Net Carrying Amount of Old Debt	<u>(139,203.29)</u>		
<b>Total Bonds Payable</b>	<u>\$ 3,511,797.02</u>		

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
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**Note 8 - STATE SCHOOL BONDS PAYABLE (Concluded)**

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.

Annual requirements to amortize all state school bonded debt outstanding as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
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	580,500.00	500,000.00	80,500.00
2017-2019	<u>1,195,500.00</u>	<u>1,110,000.00</u>	<u>85,500.00</u>
<b>Total State School Bonds</b>	<u>4,098,900.00</u>	<u>3,385,000.00</u>	<u>713,900.00</u>
Add: Unamortized Premium on Debt	266,000.31	266,000.31	0.00
(Less): Unamortized Difference Between The Reacquisition Price and Net Carrying Amount of Old Debt	<u>(139,203.29)</u>	<u>(139,203.29)</u>	<u>0.00</u>
<b>Total</b>	<u>\$ 4,225,697.02</u>	<u>\$ 3,511,797.02</u>	<u>713,900.00</u>

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

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>Governmental Activities</b>					
Qualified Zone Academy Bonds	\$ 5,000,000.00			\$ 5,000,000.00	
Qualified School Construction Bond	60,000,000.00			60,000,000.00	
State Bonds Payable	3,921,293.59		\$ (409,496.57)	3,511,797.02	\$ 415,000.00
Estimated Insurance Claims Payable	1,371,000.00	\$ 14,246,760.00	(14,421,460.00)	1,196,300.00	
Compensated Absences Payable	12,214,072.24	1,291,387.34	(1,470,702.67)	12,034,756.91	1,237,949.45
Other Postemployment Benefits Payable	933,285.00	784,862.00	(480,406.00)	1,237,741.00	
<b>Total Governmental Activities</b>	<u>\$83,439,650.83</u>	<u>\$ 16,323,009.34</u>	<u>\$ (16,782,065.24)</u>	<u>\$82,980,594.93</u>	<u>\$1,652,949.45</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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
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**Note 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 202,386.62	
Special Revenue:		
ARRA Economic Stimulus		\$ 79,239.81
Miscellaneous		8,120,702.96
Capital Projects:		
Local Capital Improvement	14,219,139.88	
District Bonds		6,098,436.92
Nonmajor Governmental		95,777.10
Fiduciary – Agency		27,369.71
<b>Total</b>	<u>\$ 14,421,526.50</u>	<u>\$ 14,421,526.50</u>

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:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers (Out)</u>
Major:		
General	\$ 4,997,134.01	\$ 455,087.17
Special Revenue:		
ARRA Economic Stimulus	448,009.77	
Miscellaneous	289,542.94	
Capital Projects:		
Local Capital Improvement Fund		8,480,906.76
Nonmajor Governmental	3,999,670.40	805,440.59
Internal Service	7,077.40	
<b>Total</b>	<u>\$ 9,741,434.52</u>	<u>\$ 9,741,434.52</u>

Interfund transfers represent permanent transfers of money between funds. Funds are transferred to the General Fund from the Capital Projects Funds to finance District maintenance projects, equipment purchases, and property insurance. The transfer into the Special Revenue – Miscellaneous Fund was for hurricane repairs. The transfers out of the General Fund went to the ARRA Economic Stimulus Fund and the Internal Service Fund to cover the balance of salary and benefits expenses for personnel in these programs.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
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**Note 11 - FUND BALANCE REPORTING**

The District has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications based on the level of constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories and prepaid items that are considered nonspendable. The District does not have any nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on the level of spending constraints. This hierarchy applies to the District as follows:

- *Restricted*—This component of fund balances consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation. Note the same definition is used for restricted net assets on the statement of net assets.
- *Committed*—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., resolution) of the District's governing board. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g., resolution) it employed previously to constrain those amounts.
- *Assigned*—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the District governing board, or by an individual or body to whom the governing board has delegated this responsibility. By definition, fund balances are also assigned to the extent that they are needed to finance a subsequent years' budget deficit.
- *Unassigned*—This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
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(Continued)**

**Note 11 - FUND BALANCE REPORTING (Concluded)**

**Minimum Fund Balance Policy**

State statutes require the District maintain an unreserved general fund balance that is sufficient to address normal contingencies. The District Superintendent must notify the Board and State of Florida Commissioner of Education if at any time the unreserved general fund balance in the District's operating budget is projected to fall during the fiscal year below three percent (3%) of projected general fund revenues.

Board Policy #6233 provides that "to ensure the financial strength and stability of the District, the Board directs each year the Board's adopted budget include, to the extent reasonable, a reserve for contingencies of not less than three percent (3%) of the District's general fund revenues."

**Negative Fund Balance**

The Special Revenue Miscellaneous Fund is reporting a negative ending fund balance of \$8,326,630.85 at June 30, 2011. This negative fund balance is expected to be eliminated in 2012 when the outstanding receivables are collected.

**Note 12 SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2010-2011 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 4,352,773.00
Categorical Educational Programs:	
Class Size Reduction/Operating Funds	17,390,789.00
School Recognition Funds	792,170.00
Voluntary Prekindergarten Program	602,419.50
District Discretionary Lottery Funds	59,865.00
Workforce Development Program	2,524,507.00
Workforce Development Program Incentive	51,343.00
Gross Receipts Tax (Public Education Capital Outlay)	695,003.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	683,567.34
Miscellaneous	<u>622,952.42</u>
<b>Total</b>	<b><u>\$ 27,775,389.26</u></b>

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

**Note 13 - PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-2011 fiscal year:

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DISTRICT SCHOOL BOARD  
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**Note 13 - PROPERTY TAXES (Concluded)**

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.217	\$ 76,362,634.00
Prior Period Funding Adjustment	0.126	1,844,296.00
Basic Discretionary Local Effort	0.748	10,948,678.00
Critical Operating Needs	0.250	3,659,317.00
<u>Capital Projects Funds</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted Tax:		
Local Capital Improvements	1.500	21,955,904.00
<b>Total</b>	<u>7.841</u>	<u>\$ 114,770,829.00</u>

**Note 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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**Note 14 - FLORIDA RETIREMENT SYSTEM (Continued)**

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 2010-2011 fiscal year, contribution rates were as follows:

	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program – Applicable to Members from all of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03% 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, 2009, June 30, 2010, and June 30, 2011, totaled \$7,282,462.25, \$6,978,956.69, and \$7,722,141.30 respectively, which were equal to the required contributions for each fiscal year. There were 542 PEORP participants during the 2010-2011 fiscal year. Required contributions to PEORP totaled \$2,365,679.05.

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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**Note 14 - FLORIDA RETIREMENT SYSTEM (Concluded)**

**Subsequent Event**

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to the FRS with respect to employee contributions, employer contributions and other items. Effective July 1, 2011, all members of the FRS must contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class. The following other changes only apply to employees who are initially enrolled in the FRS on or after July 1, 2011: final average compensation is now based on the employee's average of the eight highest (formerly five highest) fiscal years of compensation during credited service; the DROP interest accrual rate is reduced from 6.50% to 1.30%; the normal retirement age is increased from 62 to 65; the years of creditable service is increased from 30 to 33; and the vesting period is increased to eight years from six years.

**Note 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 2010-11 fiscal year, 77 retirees received other postemployment benefits. The District provided required contributions of \$480,406 toward the annual OPEB cost, net of retiree contributions totaling \$677,579, which represents 1.0% of covered payroll.

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**Note 15 - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)**

**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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 364,373
Amortization of Unfunded Actuarial Accrued Liability	<u>442,821</u>
Annual Required Contribution	807,194
Interest on Net OPEB Obligation	41,998
Adjustment to Annual Required Contribution	<u>(64,330)</u>
Annual OPEB Cost (Expense)	784,862
Estimated Contributions Made	<u>(480,406)</u>
Increase in Net OPEB Obligation	304,456
<b>Net OPEB Obligation, Beginning of Year</b>	<u>933,285</u>
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 1,237,741</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, 2011, and the preceding years, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 564,329	40.66%	\$ 334,873
2009	592,837	46.68%	650,997
2010	753,224	62.52%	933,285
2011	784,862	61.21%	1,237,741

The calculations above for the annual OPEB Cost and Net OPEB Obligation are pursuant to an "Actuarial Roll-Forward" performed by the District's actuary for 2011. The Roll-Forward supplements the results of the actuarial valuation performed as of January 1, 2010; its purpose was to make actuarial adjustments to the results of that actuarial valuation to be applicable to the 2010-11 fiscal year. The Roll-Forward was performed on the same basis as the regular actuarial valuation.

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**Note 15 - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Concluded)**

**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%. 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%.

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.

**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% 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% per year, and an annual healthcare cost trend rate of 8.5% initially for the 2009-10 fiscal year, reduced by 0.5% per year, to an ultimate rate of 5.0% after 7 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.

**Note 16 - CONSTRUCTION CONTRACT COMMITMENTS**

The following is a summary of major construction contract commitments remaining at fiscal year-end:

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**Note 16 - CONSTRUCTION CONTRACT COMMITMENTS (Concluded)**

Project	Contract Amount	Completed To-date	Balance Committed
Lemon Bay High School:			
Architect Phase I - IV a	\$ 2,555,000.00	\$ 2,437,394.87	\$ 117,605.13
Architect Phase IV b - V	2,056,520.07		2,056,520.07
Contractor Phase I and II	3,725,577.42	3,269,372.48	456,204.94
Contractor Phase III	23,736,620.13	11,637,230.58	12,099,389.55
Contractor Phase IV a - b	80,000.00		80,000.00
Meadow Park Elementary School:			
Architect	698,450.00	678,937.50	19,512.50
Contractor	13,569,894.13	9,740,777.20	3,829,116.93
<b>Total</b>	<u>\$ 46,422,061.75</u>	<u>\$ 27,763,712.63</u>	<u>\$ 18,658,349.12</u>

**Note 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.

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

**Note 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 Charlotte County District School 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 18 - RISK MANAGEMENT PROGRAMS (Concluded)**

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 School 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.

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.

As of June 30, 2011, a liability in the amount of \$1,196,300 was actuarially determined to cover estimated incurred but not reported insurance claims payable.

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

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimated Liability</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2010-11	\$ 1,371,000.00	\$ 14,246,760.00	\$ (14,421,460.00)	\$ 1,196,300.00
2009-10	0.00	8,103,869.47	(6,732,869.47)	1,371,000.00

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

**Note 19 - INTERNAL SERVICE FUNDS**

The following is a summary of financial information as reported in the internal service funds for the 2010-2011 fiscal year:

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 19 - INTERNAL SERVICE FUNDS (Concluded)**

<u>Project</u>	<u>Total</u>	<u>Employee Benefits Program</u>	<u>Special Projects Center</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,899,351.24	\$ 6,890,639.41	\$ 8,711.83
Due from Other Agencies	49.00		49.00
<b>Total Assets</b>	<u>\$ 6,899,400.24</u>	<u>\$ 6,890,639.41</u>	<u>\$ 8,760.83</u>
<b>Liabilities and Net Assets</b>			
Salaries and Benefits Payable	\$ 5,848.97	\$ 1,975.01	\$ 3,873.96
Payroll Deductions and Withholdings	9,387.63	5,154.62	4,233.01
Accounts Payable	96,070.66	95,416.80	653.86
Deposits Payable	29,194.28	29,194.28	
Unearned Revenue	1,523,454.00	1,523,454.00	
Estimated Insurance Claims Payable	1,196,300.00	1,196,300.00	
Unrestricted Net Assets	4,039,144.70	4,039,144.70	
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,899,400.24</u>	<u>\$ 6,890,639.41</u>	<u>\$ 8,760.83</u>
<b>Revenues</b>			
Charges for Services	\$ 226,100.00		\$ 226,100.00
Charges for Sales	13,296.00		13,296.00
Premium Contributions	18,970,921.48	\$ 18,970,921.48	
Other Income	318,876.63	318,876.63	
Interest Income	3,352.58	2,956.71	395.87
<b>Total Revenue</b>	<u>19,532,546.69</u>	<u>19,292,754.82</u>	<u>239,791.87</u>
<b>Total Expenses</b>	(18,335,587.46)	(18,063,959.64)	(271,627.82)
<b>Transfers in</b>	<u>7,077.40</u>		<u>7,077.40</u>
<b>Change in Net Assets</b>	<u>\$ 1,204,036.63</u>	<u>\$ 1,228,795.18</u>	<u>\$ (24,758.55)</u>

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

For the Head Start and Early Head Start grants, the District is required to provide 20% 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 04CH3161/44 with a period ending October 31, 2010, the required amount of non-Federal share is \$176,059.70. For grant number 04CH3161/45 the required amount of non-Federal share during the period November 1, 2010 through June 30, 2011 is \$292,463.37.

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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Concluded)**

**Note 21 - PRIOR PERIOD ADJUSTMENT**

During 2011, the District identified a correction to its 2010 audited financial statements:

- Software costing \$385,881.00 was purchased and expensed in 2010, but should have been capitalized.

Following is the adjustment to beginning net assets – governmental activities:

	<u><b>Governmental Activities</b></u>
<b>Net Assets</b>	
As Originally Reported	\$ 434,012,973.02
Adjustment	<u>385,881.00</u>
As Adjusted	<u><u>\$ 434,398,854.02</u></u>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 165,000.00	\$ 165,000.00	\$ 156,955.41	\$ (8,044.59)
Federal Through State and Local	800,000.00	821,453.00	663,617.81	(157,835.19)
State	26,648,520.00	26,642,802.00	26,295,133.92	(347,668.08)
Local:				
Property Taxes	89,091,212.00	89,214,915.00	88,789,730.05	(425,184.95)
Miscellaneous	2,761,431.00	3,393,913.00	3,928,576.63	534,663.63
<b>Total Revenues</b>	<u>119,466,163.00</u>	<u>120,238,083.00</u>	<u>119,834,013.82</u>	<u>(404,069.18)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	76,284,294.00	73,164,513.00	71,116,712.75	2,047,800.25
Pupil Personnel Services	8,031,138.00	8,042,806.00	7,911,154.64	131,651.36
Instructional Media Services	2,181,229.00	2,162,305.00	2,118,216.50	44,088.50
Instruction and Curriculum				
Development Services	3,198,192.00	3,439,428.00	3,367,425.10	72,002.90
Instructional Staff Training Services	987,606.00	1,208,094.00	1,126,240.78	81,853.22
Instruction Related Technology	483,429.00	489,217.00	488,118.32	1,098.68
School Board	628,418.00	797,960.00	779,755.14	18,204.86
General Administration	373,647.00	462,489.00	457,538.94	4,950.06
School Administration	7,355,882.00	7,928,362.00	7,858,045.69	70,316.31
Fiscal Services	1,034,196.00	1,059,321.00	1,056,764.44	2,556.56
Central Services	2,956,564.00	2,825,157.00	2,707,880.24	117,276.76
Pupil Transportation Services	6,434,494.00	6,846,398.00	6,461,387.90	385,010.10
Operation of Plant	11,713,420.00	11,978,284.00	11,879,144.67	99,139.33
Maintenance of Plant	3,762,579.00	3,826,848.00	3,749,968.39	76,879.61
Administrative Technology Services	1,330,154.00	1,394,262.00	1,365,401.16	28,860.84
Community Services	126,121.00	120,235.00	117,314.89	2,920.11
Fixed Capital Outlay:				
Other Capital Outlay	-	68,900.00	21,356.18	47,543.82
<b>(Total Expenditures)</b>	<u>126,881,363.00</u>	<u>125,814,579.00</u>	<u>122,582,425.73</u>	<u>3,232,153.27</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(7,415,200.00)</u>	<u>(5,576,496.00)</u>	<u>(2,748,411.91)</u>	<u>2,828,084.09</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,938,000.00	4,938,000.00	4,997,134.01	59,134.01
Insurance Loss Recoveries	-	77,191.00	44,254.81	(32,936.19)
Transfers (out)	-	(455,648.00)	(455,087.17)	560.83
<b>Total Other Financing Sources (Uses)</b>	<u>4,938,000.00</u>	<u>4,559,543.00</u>	<u>4,586,301.65</u>	<u>26,758.65</u>
<b>Net Change in Fund Balances</b>	(2,477,200.00)	(1,016,953.00)	1,837,889.74	2,854,842.74
<b>Fund Balances, Beginning of Year</b>	14,710,111.00	14,710,111.00	14,710,111.58	0.58
<b>Fund Balances, End of Year</b>	<u>\$ 12,232,911.00</u>	<u>\$ 13,693,158.00</u>	<u>\$ 16,548,001.32</u>	<u>\$ 2,854,843.32</u>



**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
ARRA ECONOMIC STIMULUS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

	<b>Special Revenue - ARRA Economic Stimulus Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 35,560.00	\$ 35,560.46	\$ 29,150.91	\$ (6,409.55)
Federal Through State and Local	8,315,806.00	11,698,595.16	11,679,812.85	(18,782.31)
<b>Total Revenues</b>	<b>8,351,366.00</b>	<b>11,734,155.62</b>	<b>11,708,963.76</b>	<b>(25,191.86)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	4,952,350.00	8,899,111.37	8,792,335.57	106,775.80
Pupil Personnel Services	542,241.00	548,324.22	545,020.14	3,304.08
Instructional Media Services	23,088.00	23,952.00	23,919.95	32.05
Instruction and Curriculum				
Development Services	188,584.00	170,345.27	170,268.13	77.14
Instructional Staff Training Services	758,896.00	695,407.59	694,239.14	1,168.45
Instruction Related Technology	-	23,188.04	23,188.04	-
General Administration	123,131.00	130,957.90	130,954.21	3.69
School Administration	1,707,954.00	1,693,165.82	1,692,791.26	374.56
Pupil Transportation Services	-	2,478.00	2,477.86	0.14
Community Services	55,122.00	57,194.00	57,103.20	90.80
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	24,676.03	24,676.03	-
<b>(Total Expenditures)</b>	<b>8,351,366.00</b>	<b>12,268,800.24</b>	<b>12,156,973.53</b>	<b>111,826.71</b>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	-	(534,644.62)	(448,009.77)	86,634.85
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	534,644.62	448,009.77	(86,634.85)
<b>Net Change in Fund Balances</b>	-	-	-	-
<b>Fund Balances, Beginning of Year</b>	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD**  
**BUDGETARY COMPARISON SCHEDULE**  
**MISCELLANEOUS FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
*(Concluded)*

	<b>Special Revenue - Miscellaneous Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 2,688,556.00	\$ 2,688,556.00	\$ -	\$ (2,688,556.00)
Local:				
Miscellaneous	5,000.00	5,000.00	(2,253.49)	(7,253.49)
<b>Total Revenues</b>	<u>2,693,556.00</u>	<u>2,693,556.00</u>	<u>(2,253.49)</u>	<u>(2,695,809.49)</u>
<b>Expenditures</b>				
Current - Education:				
Instructional Media Services	69,657.00	69,575.00	69,574.74	0.26
Facilities Acquisition and Construction	15,808,293.00	287,243.00	298,815.32	(11,572.32)
Fiscal Services	35,077.00	37,452.00	37,398.77	53.23
Central Services	145,913.00	248,791.00	233,685.16	15,105.84
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	16,143,550.00	8,979,502.35	7,164,047.65
<b>(Total Expenditures)</b>	<u>16,058,940.00</u>	<u>16,786,611.00</u>	<u>9,618,976.34</u>	<u>7,167,634.66</u>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(13,365,384.00)</u>	<u>(14,093,055.00)</u>	<u>(9,621,229.83)</u>	<u>4,471,825.17</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,692,887.00	8,796,321.00	289,542.94	(8,506,778.06)
Insurance Loss Recoveries	210,576.00	834,813.00	1,005,056.04	170,243.04
<b>Total Other Financing Sources (Uses)</b>	<u>8,903,463.00</u>	<u>9,631,134.00</u>	<u>1,294,598.98</u>	<u>(8,336,535.02)</u>
<b>Net Change in Fund Balances</b>	(4,461,921.00)	(4,461,921.00)	(8,326,630.85)	(3,864,709.85)
<b>Fund Balances, Beginning of Year</b>	4,461,921.00	4,461,921.00	-	(4,461,921.00)
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,326,630.85)</u>	<u>\$ (8,326,630.85)</u>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
JUNE 30, 2011**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll [(b-a)/c]</b>
7/1/2007	\$ 0	\$ 4,981,327	\$ (4,981,327)	0.00%	\$ 93,787,311	5.31%
1/1/2010	0	6,042,832	(6,042,832)	0.00%	64,612,372	9.35%

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

**Note 1 - BUDGETARY BASIS OF ACCOUNTING**

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

**Note 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%, however, this has changed to 20%. Previously, it was assumed that no retiree would continue coverage beyond age 65, however, now, it is assumed that 95% 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% to 0.7%.
- 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% in the first year, flowed by 10.5%, and decreasing by a 0.5% each year to an ultimate rate of 5% thereafter. In the current valuation, the trend is assumed to be an increase of 8.5% in the first year, decreasing by a 0.5% each year to an ultimate rate of 5%.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES; THE PROVISIONS OF THE OFFICE OF MANAGEMENT  
AND BUDGET (OMB) CIRCULAR A-133; AND *RULES OF THE  
AUDITOR GENERAL OF THE STATE OF FLORIDA***

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 1,088,239.44
National School Lunch Program	10.555	300, 350	4,013,236.32
Summer Food Service Program for Children	10.559	323	166,236.10
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555(2)	None	451,942.99
Total Child Nutrition Cluster			<u>5,719,654.85</u>
Other Indirect:			
Florida Department of Education:			
Fresh Fruit and Vegetable Program	10.582	None	117,229.57
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program Equipment Assistance	10.579	371	19,324.38
<b>Total United States Department of Agriculture</b>			<u><u>5,856,208.80</u></u>
<b>United States Department of Education</b>			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants	84.007	N/A	8,236.00
Federal Pell Grant Program	84.063	N/A	629,313.00
Total Student Financial Assistance Cluster			<u>637,549.00</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	3,120,938.50
Special Education - Preschool Grants	84.173	267	119,726.66
ARRA - Special Education - Grants to States, Recovery Act			
	84.391	263	1,894,515.26
ARRA - Special Education - Preschool Grants, Recovery Act			
	84.392	267	62,599.63
Sarasota County District School Board:			
Special Education - Grants to States	84.027	263	55,225.41
Total Special Education Cluster			<u>5,253,005.46</u>
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,811,863.28
ARRA - Title I Grants to Local Educational Agencies, Recovery Act			
	84.389	212, 223	873,530.00
Total Title I Part A Cluster			<u>3,685,393.28</u>
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	47,072.16
ARRA - Education for Homeless Children and Youth, Recovery Act			
	84.387	127	12,102.16
Total Education for Homeless Children and Youth			<u>59,174.32</u>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
*(Continued)*

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Education (Concluded)</b>			
Indirect: <i>(Concluded)</i>			
State Fiscal Stabilization Funds Cluster:			
Florida Department of Education:			
ARRA - State Stabilization - Education Grants, Recovery Act	84.394	591	\$ 5,269,224.00
ARRA - State Stabilization - Government Services, Recovery Act	84.397	592	101,690.00
ARRA - State Stabilization - State Appropriated Equipment Assistance, Recovery Act	84.397	592	24,676.03
Total State Fiscal Stabilization Fund Cluster			<u>5,395,590.03</u>
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	7,709.92
ARRA - Education Technology State Grants, Recovery Act	84.386	121	26,245.76
Total Educational Technology State Grants Cluster			<u>33,955.68</u>
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	324,329.87
Safe and Drug-free Schools and Communities - State Grants	84.186	103	21,353.76
Even Start - State Educational Agencies	84.213	219	188,173.80
Title V, Part B - Charter Schools	84.282	298	168,899.50
English Language Acquisition Grants	84.365	102	160,430.68
Improving Teacher Quality State Grants	84.367	224	1,035,509.08
ARRA - Education Jobs Fund, Recovery Act	84.410	541	3,330,284.00
ARRA - Race to the Top, Recovery Act	84.395	RL111	69,210.92
Southwest Florida Workforce Development:			
Leader for Life Mentoring Grant	None	936	12,588.07
ARRA - Leader for Life Mentoring Grant, Recovery Act	84.397	592	3,147.02
Total Florida Department of Education			<u>5,552,610.70</u>
<b>Total United States Department of Education</b>			<u><u>20,617,278.47</u></u>
<b>United States Department of Health and Human Services</b>			
Head Start Cluster:			
Direct:			
Head Start	93.600 (3)	N/A	2,166,555.64
ARRA - Head Start	93.708 (4)	N/A	29,150.91
<b>Total United States Department of Health and Human Services</b>			<u><u>2,195,706.55</u></u>

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Concluded)**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Homeland Security</b>			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039	None	\$ 86,573.02
Florida Department of Education:			
Homeland Security Grant Program	97.067	None	88,000.00
<b>Total United States Department of Homeland Security</b>			<u>174,573.02</u>
<b>United States Department of Defense</b>			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	<u>156,955.41</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 29,000,722.25</u>

**Notes:**

(1) **Basis of Presentation:** The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2010-11 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 prepared.

(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 grant number/program 4CH3161/44, expenditures include Head Start PA-22 \$528,989.25 and PA-20 \$0 and Early Head Start PA-25 \$175,248.94 and PA-11 \$0. For grant number/program 4CH3161/45, expenditures include Head Start PA-22 \$975,851.79 and PA-20 \$19,066.87, and Early Head Start PA-25 \$459,260.14 and PA-11 \$8,138.05.

(4) **ARRA -Head Start:** For grant number/program 04SE3161/01, expenditures include Head Start RO-22 \$18,492.16 and Early Head Start RO-25 \$10,658.75.



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

Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2011. Our report includes 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 District'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the 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.

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Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*  
(*Concluded*)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 other matters that we reported to management of the District in our separate management letter dated November 15, 2011.

This report is intended solely for the information and use of management, the District Board, others within the entity, the State of Florida Auditor General, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

November 15, 2011  
Sarasota, Florida

**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**

Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

**Compliance**

We have audited the Charlotte County District School Board's (the District) compliance with the types of compliance requirements described in the U.S. 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 year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the 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.

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Superintendent  
Port Charlotte, Florida

**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  
(Concluded)**

**Internal Control Over Compliance (Concluded)**

A *deficiency in internal control over compliance* 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, 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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the District Board, the State of Florida Auditor General, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

November 15, 2011  
Sarasota, Florida

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I – SUMMARY OF AUDITOR’S REUSLTS**

**Financial Statements**

Type of Auditor’s Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? 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? None reported

Type of Auditor’s Report 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 Circular A-133? No

Identification of Major Programs: Title 1, Grants to Local Educational Agencies:  
84.010, 84.389 ARRA  
  
Special Education Cluster:  
84.027, 84.173, 84.391 ARRA,  
84.392 ARRA  
  
State Fiscal Stabilization Funds Cluster:  
84.394 ARRA, 84.397 ARRA  
  
Education Jobs Fund:  
84.410 ARRA

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$870,022

Auditee Qualified as Low-risk Auditee? No

**CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
FOR THE YEAR ENDED JUNE 30, 2011  
(Concluded)**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**STATUS OF PRIOR AUDIT FINDINGS**

No matters were reported. No summary schedule of prior audit findings is required.

**CORRECTIVE ACTION PLANNED FOR CURRENT YEAR AUDIT FINDINGS**

There are no current year audit findings included in the current year schedule of findings and questioned costs.

## MANAGEMENT LETTER

Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

We have audited the financial statements of the Charlotte County District School Board (the District), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 15, 2011. Our report was modified to include references to other auditors. Other auditors audited the financial statements of the school internal funds (reported as agency funds), and the Charlotte Local Education Foundation, Inc., (the discretely presented component unit). This letter does not include matters related to these other entities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and compliance and other matters, report on compliance requirements that could have a direct and material effect on each major federal program and on internal control over compliance, and schedule of findings and questioned costs. Disclosure in those reports and schedule, which are dated November 15, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, *Rules of the Auditor General*, which governs the conduct of district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report or schedule:

- Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The preceding audit report was a combined financial, operational and federal single audit report and had five "additional matters" with related recommendations. Corrective actions have been taken to address the financial-related recommendations. Follow up on the operational-related recommendations was not within the scope of our financial audit.
- Section 10.804(1)(f)3., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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Charlotte County District School Board and  
Superintendent  
Port Charlotte, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

- Section 10.804(1)(f)5., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.804(1)(f)6., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Section 10.804(1)(f)8., *Rules of the Auditor General*, requires the auditor to state whether or not the district school board complied with transparency requirements. Section 2, Specific Appropriation 115A of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their websites to the Transparency Florida website. In connection with our audit, we determined that the District complied with this requirement.

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

*Purvis, Gray and Company, LLP*

November 15, 2011  
Sarasota, Florida