

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2009



## BOARD MEMBERS AND SUPERINTENDENT

Charlotte County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Lee Swift, Chair to 11-17-08	1
Alleen Miller, Vice Chair from 11-18-08	2
Andrea Messina	3
Sue Sifrit	4
Barbara Rendell, Vice Chair to 11-17-08, Chair from 11-18-08	5

Dr. David E. Gayler, Superintendent

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

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

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CHARLOTTE COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

#### ADDITIONAL MATTERS

Finding No. 1: Controls over the expenditure of capital outlay millage levy proceeds needed improvement.

Finding No. 2: The District needed to improve controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 3: The District needed to enhance controls over vendor payment processing.

Finding No. 4: The District lacked written policies and procedures for certain information technology functions.

Finding No. 5: Certain security controls related to user authentication needed improvement.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Improving Teacher Quality and Hazard Mitigation programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding as summarized below.

Federal Awards Finding No. 1: The District did not timely submit the required cash advance reconciliation to the Florida Department of Education.

### Audit Objectives and Scope

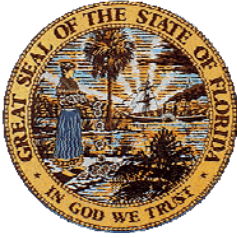
Our audit objectives were to determine whether the Charlotte County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-179.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 20 percent of the assets and 77 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the Charlotte Local Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Charlotte County District School Board as of June 30, 2009, and the respective changes in financial position and cash flows, where

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

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 11) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 50 through 52) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA

March 10, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Charlotte County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 12 through 48.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- The District's total net assets increased by \$23,094,115.54, or 6.1 percent increase from the 2007-08 fiscal year.
- General revenues and the extraordinary item total \$181,302,008.71, or 92 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$15,666,011.96, or 8 percent.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$9,907,741.84 at June 30, 2009, or 7.3 percent of total General Fund expenditures.
- During the current year, General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$6,608,272.16. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures and other financing sources by \$2,170,054.38.

### NON-FINANCIAL HIGHLIGHTS

The District's student enrollment decreased by 461 students, or 2.6 percent from the prior year.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The 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 funds balance sheet and the governmental funds 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 – Miscellaneous 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.

**Proprietary Funds:** Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are proprietary funds used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses internal service funds to account for the Employee Benefits Program and the Special Projects Center Consortium. Since these services predominately benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

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

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

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

**Notes to Financial Statements**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

**Net Assets, End of Year**

	Governmental Activities		Increase (Decrease)	Percentage Change
	6-30-09	6-30-08		
Current and Other Assets	\$ 77,444,421.66	\$ 86,994,919.30	\$ (9,550,497.64)	-10.98%
Capital Assets	373,016,331.30	331,417,415.85	41,598,915.45	12.55%
<b>Total Assets</b>	<b>450,460,752.96</b>	<b>418,412,335.15</b>	<b>32,048,417.81</b>	<b>7.66%</b>
Long-Term Liabilities	21,413,414.04	21,163,968.64	249,445.40	1.18%
Other Liabilities	28,573,754.27	19,868,897.40	8,704,856.87	43.81%
<b>Total Liabilities</b>	<b>49,987,168.31</b>	<b>41,032,866.04</b>	<b>8,954,302.27</b>	<b>21.82%</b>
Net Assets:				
Invested in Capital Assets -				
Net of Related Debt	363,710,331.30	321,735,415.85	41,974,915.45	13.05%
Restricted	35,970,890.18	47,902,577.74	(11,931,687.56)	-24.91%
Unrestricted	792,363.17	7,741,475.52	(6,949,112.35)	-89.76%
<b>Total Net Assets</b>	<b>\$ 400,473,584.65</b>	<b>\$ 377,379,469.11</b>	<b>\$ 23,094,115.54</b>	<b>6.12%</b>

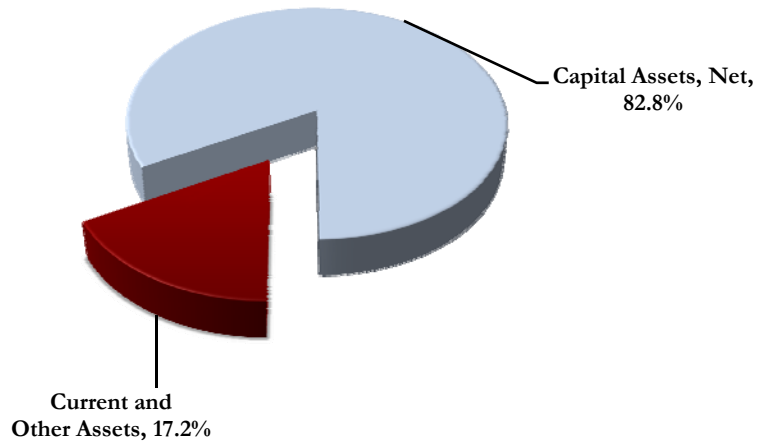
The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The following graphs show the District's net assets as a percentage of the total for each group (i.e., assets, liabilities, and net assets).

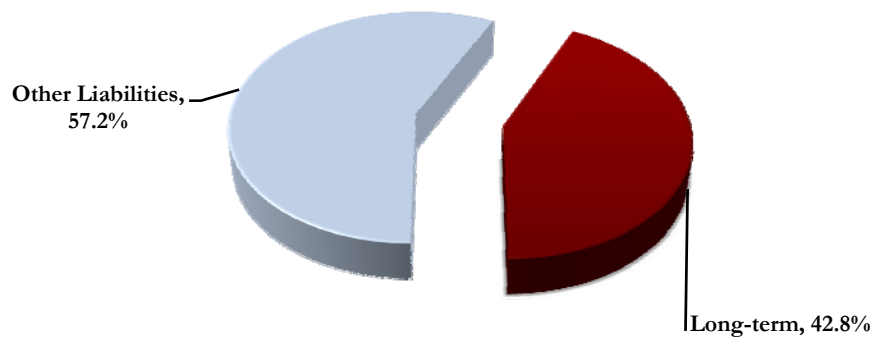
Total assets, distinguishing between capital and other assets:

### Total Assets



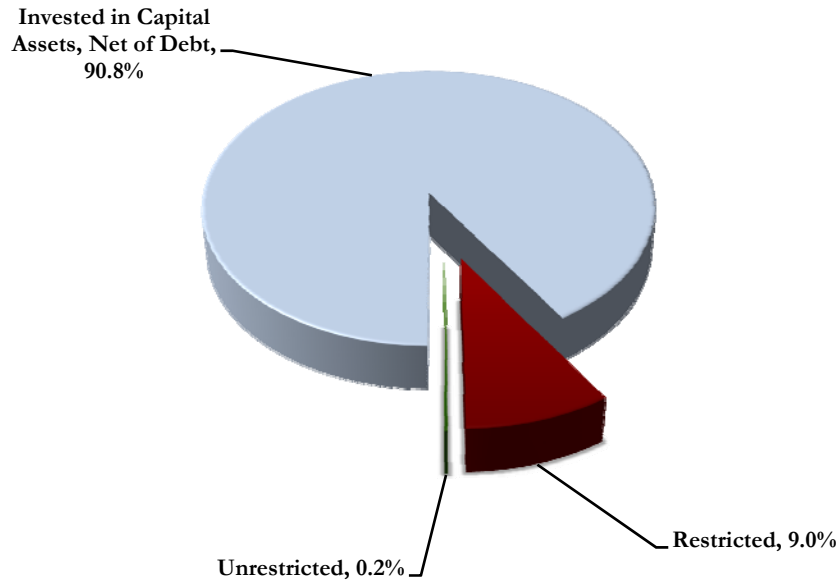
Total liabilities, distinguishing between long-term and other liabilities:

### Total Liabilities



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

### Total Net Assets



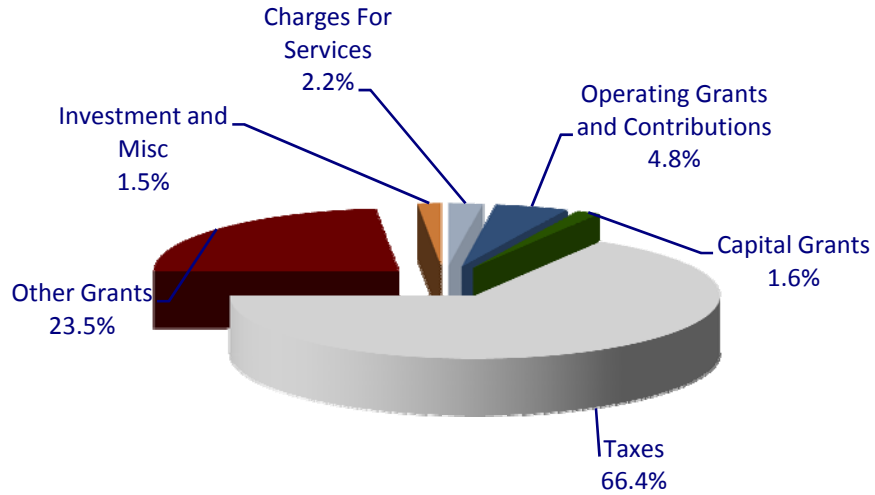
The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

	<b>Operating Results for the Year</b>			
	Governmental		Increase (Decrease)	Percentage Change
	Activities			
	6-30-09	6-30-08		
<b>Program Revenues:</b>				
Charges for Services	\$ 4,067,051.02	\$ 9,167,564.44	\$ (5,100,513.42)	-55.6%
Operating Grants and Contributions	8,741,024.76	8,442,690.94	298,333.82	3.5%
Capital Grants and Contributions	2,857,936.18	8,774,981.15	(5,917,044.97)	-67.4%
<b>General Revenues:</b>				
Property Taxes, Levied for Operational Purposes	87,745,969.27	94,481,268.10	(6,735,298.83)	-7.1%
Property Taxes, Levied For Debt Service		948,244.96	(948,244.96)	-100.0%
Property Taxes, Levied for Capital Projects	33,360,561.63	44,980,168.37	(11,619,606.74)	-25.8%
Grants and Contributions Not Restricted to Specific Programs	42,884,651.44	45,200,355.23	(2,315,703.79)	-5.1%
Unrestricted Investment Earnings	308,892.86	4,171,816.27	(3,862,923.41)	-92.6%
Miscellaneous	2,517,832.64	2,843,092.56	(325,259.92)	-11.4%
Extraordinary Item	14,484,100.87	13,790,156.63	693,944.24	5.0%
<b>Total Revenues and Extraordinary Item</b>	<b>196,968,020.67</b>	<b>232,800,338.65</b>	<b>(35,832,317.98)</b>	<b>-15.4%</b>
<b>Functions/Program Expenses:</b>				
Instruction	86,754,121.11	89,838,850.51	(3,084,729.40)	-3.4%
Pupil Personnel Services	9,755,022.63	9,681,094.57	73,928.06	0.8%
Instructional Media Services	2,208,406.75	2,682,403.27	(473,996.52)	-17.7%
Instruction and Curriculum Development Services	6,809,085.58	6,836,284.63	(27,199.05)	-0.4%
Instructional Staff Training Services	2,151,612.60	2,324,979.34	(173,366.74)	-7.5%
Instruction Related Technology	457,593.70	694,597.66	(237,003.96)	-34.1%
Board of Education	561,327.34	915,017.33	(353,689.99)	-38.7%
General Administration	758,074.05	646,921.95	111,152.10	17.2%
School Administration	9,507,054.60	9,429,327.37	77,727.23	0.8%
Facilities Acquisition and Construction	6,839,384.74	6,244,167.31	595,217.43	9.5%
Fiscal Services	1,131,125.68	1,134,318.17	(3,192.49)	-0.3%
Food Services	8,378,248.14	8,459,907.30	(81,659.16)	-1.0%
Central Services	3,121,697.43	8,334,038.47	(5,212,341.04)	-62.5%
Pupil Transportation Services	6,781,125.23	7,032,739.91	(251,614.68)	-3.6%
Operation of Plant	12,381,246.57	12,589,470.43	(208,223.86)	-1.7%
Maintenance of Plant	3,670,545.43	3,944,049.89	(273,504.46)	-6.9%
Administrative Technology Services	1,205,567.92	1,288,195.81	(82,627.89)	-6.4%
Community Services	178,534.41	484,464.99	(305,930.58)	-63.1%
Interest on Long-Term Debt	581,883.72	302,979.04	278,904.68	92.1%
Unallocated Depreciation Expense	10,642,247.50	9,723,068.92	919,178.58	9.5%
<b>Total Functions/Program Expenses</b>	<b>173,873,905.13</b>	<b>182,586,876.87</b>	<b>(8,712,971.74)</b>	<b>-4.8%</b>
<b>Increase in Net Assets</b>	<b>\$ 23,094,115.54</b>	<b>\$ 50,213,461.78</b>	<b>\$ (27,119,346.24)</b>	<b>-54.0%</b>

The largest revenue source for the 2008-09 fiscal year is from the property tax levy, which resulted in total revenue for operational and capital purposes of \$121,106,530.90, or 66.4 percent of total revenues before extraordinary items. Property taxes decreased by \$19,303,150.53 or 13.7 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. Revenues from State sources for current operations and capital outlay total \$36,758,063.07 for the 2008-09 fiscal year, of which \$5,047,943.00 is attributable to FEFP funding. Capital grants and contributions decreased by \$5,917,044.97, or 67.4 percent, due mainly to lack of appropriations in the 2008-09 fiscal year for Classroom for Kids and Class Size Reduction Construction caused by declining State funding.

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

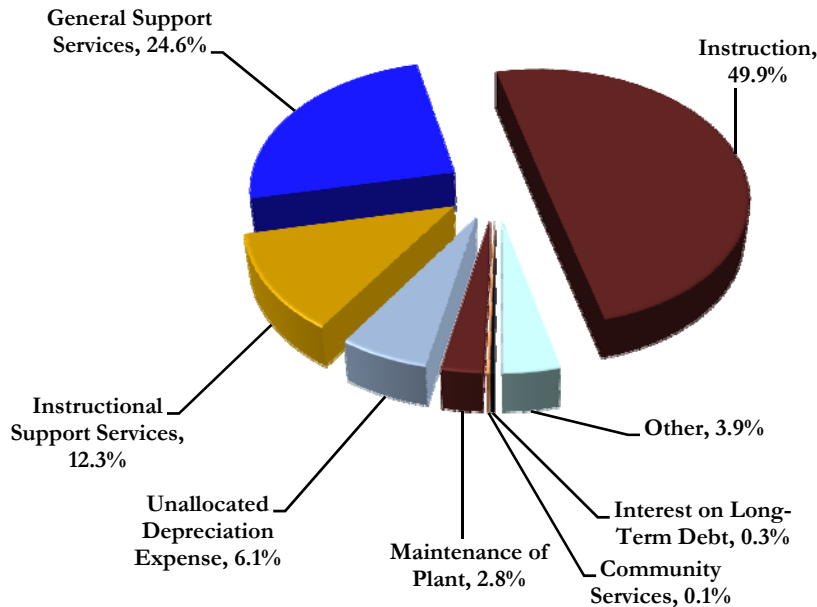
### Total Revenues By Source Before The Extraordinary Item



Instruction expenses represent 49.9 percent of local governmental expenses in the 2008-09 fiscal year. Instruction expenses decreased by \$3,084,729.40, or 3.4 percent from the previous year due mainly to a reduction in instructional staff as a result of declining enrollment, and an overall effort to spend only when critically necessary.

A table of expenses by function is shown:

### Total Expenses by Function



### FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

#### Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$9,907,741.84 while the total fund balance is \$10,950,257.19. The unreserved fund balance decreased by \$5,729,668.95, while the total fund balance decreased by \$6,608,272.16 during the fiscal year:

- District school taxes decreased by 7.1 percent as a result of declining property values.
- Total expenditures decreased by \$5,393,303.56, or 3.8 percent, from the previous year due mainly to a reduction in instructional staff as a result of declining enrollment, and an overall effort to spend only when critically necessary.

The Special Revenue – Miscellaneous Fund has a total fund balance of \$9,098,889.21, which is restricted for the reconstruction of capital assets and extra expenses associated with hurricane damages caused by Hurricane Charley in August 2004. The fund balance decreased by \$2,482,621.53 from the 2007-08 fiscal year due to the continued construction and recovery efforts related to Hurricane Charley.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$20,699,436.94, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$3,616,207.43 has been encumbered for specific projects. The fund balance declined \$9,210,746.97, due, in part, to transfers of funds to the Special Revenue – Miscellaneous Fund to assist with Hurricane Charley repair efforts.

## GENERAL FUND BUDGETARY HIGHLIGHTS

In analyzing the differences between the original and final budgets, there were no significant variations in revenues or expenses. As the District participated in tax anticipation notes this fiscal year, there is interest expense recorded in the General Fund. Actual revenue variances with the final budget were within acceptable ranges. Expenditures also fell within range, with no significant variations from budget to actual.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As part of the hurricane recovery process, the District has rebuilt five of six schools, and is rebuilding Charlotte High School, which will open one phase at the beginning of the 2009-10 school year. These facilities are being replaced using funds from insurance proceeds, along with help from the Federal Emergency Management Agency (FEMA) and the State of Florida.

Under District policy, school buses are to be replaced every 13 years. The total cost of new buses for the current year totaled \$985,945. Additional information on the District's capital assets can be found in Notes 4 and 15 to the financial statements.

### Long-Term Debt

The District did not issue any new long-term debt during the 2008-09 fiscal year. At June 30, 2009, the District has total long-term debt outstanding of \$9,317,533.10, which is comprised of Qualified Zone Academy and State School Bonds. During the year, retirement of debt amounted to \$377,048.46. Additional information on the District's long-term debt can be found in notes 6 through 8 to the financial statements.

## OTHER MATTERS OF SIGNIFICANCE

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

## REQUESTS FOR INFORMATION

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

**BASIC FINANCIAL STATEMENTS**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2009**

	Primary Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 55,821,868.89	\$ 96,106.00
Investments	1,129,693.80	
Accounts Receivable	18,145,344.51	5,576.00
Prepaid Items	8,423.28	722,025.00
Due from Other Agencies	1,185,497.96	
Inventories	640,717.34	6,500.00
Deferred Charges	11,533.10	
Restricted Investments	501,342.78	
Capital Assets:		
Nondepreciable Capital Assets	79,792,628.36	
Depreciable Capital Assets, Net	293,223,702.94	328.00
<b>TOTAL ASSETS</b>	<b>\$ 450,460,752.96</b>	<b>\$ 830,535.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 2,086,941.20	\$
Payroll Deductions and Withholdings	877,560.01	
Accounts Payable	1,048,278.71	2,495.00
Construction Contracts Payable	3,047,719.55	
Construction Contracts Payable - Retainage	3,773,656.59	
Due to Other Agencies	52.50	
Deposits Payable	83,999.33	
Matured Interest Payable	551,587.00	
Accrued Interest Payable	103,959.38	
Accrued Expenses		4,500.00
Tax Anticipation Note Payable	17,000,000.00	
Long-Term Liabilities:		
Portion Due Within One Year	1,601,737.23	
Portion Due After One Year	19,811,676.81	
<b>Total Liabilities</b>	<b>49,987,168.31</b>	<b>6,995.00</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	363,710,331.30	328.00
Restricted for:		
State Categorical Programs	581,389.47	
Debt Service	514,941.58	
Capital Projects	24,802,093.67	
Disaster Recovery	9,098,889.21	
Food Service	973,576.25	
Other Purposes		779,258.00
Unrestricted	792,363.17	43,954.00
<b>Total Net Assets</b>	<b>400,473,584.65</b>	<b>823,540.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 450,460,752.96</b>	<b>\$ 830,535.00</b>

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

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 86,754,121.11	\$ 656,674.42	\$	\$
Pupil Personnel Services	9,755,022.63			
Instructional Media Services	2,208,406.75			
Instruction and Curriculum Development Services	6,809,085.58			
Instructional Staff Training Services	2,151,612.60			
Instruction Related Technology	457,593.70			
Board of Education	561,327.34			
General Administration	758,074.05			
School Administration	9,507,054.60			
Facilities Acquisition and Construction	6,839,384.74			2,279,891.02
Fiscal Services	1,131,125.68			
Food Services	8,378,248.14	3,144,637.40	5,006,795.76	
Central Services	3,121,697.43			
Pupil Transportation Services	6,781,125.23	265,739.20	3,734,229.00	
Operation of Plant	12,381,246.57			
Maintenance of Plant	3,670,545.43			
Administrative Technology Services	1,205,567.92			
Community Services	178,534.41			
Interest on Long-Term Debt	581,883.72			578,045.16
Unallocated Depreciation Expense	10,642,247.50			
<b>Total Primary Government</b>	<b>\$ 173,873,905.13</b>	<b>\$ 4,067,051.02</b>	<b>\$ 8,741,024.76</b>	<b>\$ 2,857,936.18</b>
<b>Component Unit</b>				
Charlotte Local Education Foundation, Inc.	\$ 225,589.00	\$ 0.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Extraordinary Item:

Loss Recoveries

**Total General Revenues and Extraordinary Item**

**Change in Net Assets**

Net Assets - Beginning

Adjustment to Beginning Net Assets

Net Assets - Beginning, as Restated

**Net Assets - Ending**

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



**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009**

	General Fund	Special Revenue - Miscellaneous Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 27,369,560.68	\$ 127,747.31
Investments	449,951.87	222,277.48
Accounts Receivable	63,316.05	18,079,328.98
Prepaid Items	8,423.28	
Due from Other Funds	2,565,138.63	
Due from Other Agencies	581,582.58	
Inventories	288,766.35	
Restricted Investments		
	\$ 31,326,739.44	\$ 18,429,353.77
<b>TOTAL ASSETS</b>		
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Salaries and Benefits Payable	\$ 1,836,922.46	\$ 5,402.96
Payroll Deductions and Withholdings	616,466.78	3,685.46
Accounts Payable	371,506.01	
Construction Contracts Payable		3,047,719.55
Construction Contracts Payable - Retainage		3,773,656.59
Due to Other Funds		2,500,000.00
Due to Other Agencies		
Deposits Payable		
Matured Interest Payable	551,587.00	
Tax Anticipation Note Payable	17,000,000.00	
	20,376,482.25	9,330,464.56
<b>Total Liabilities</b>		
Fund Balances:		
Reserved for State Categorical Programs	581,389.47	
Reserved for Encumbrances	172,359.53	9,098,889.21
Reserved for Inventories	288,766.35	
Reserved for Debt Service		
Unreserved, Reported in:		
General Fund	9,907,741.84	
Special Revenue Funds		
Capital Projects Funds		
	10,950,257.19	9,098,889.21
<b>Total Fund Balances</b>		
	\$ 31,326,739.44	\$ 18,429,353.77
<b>TOTAL LIABILITIES AND FUND BALANCES</b>		

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 20,999,439.97	\$ 4,792,014.26	\$ 53,288,762.22
290,529.90	136,377.09	1,099,136.34
	2,672.48	18,145,317.51
		8,423.28
		2,565,138.63
57,880.34	545,864.04	1,185,326.96
	351,950.99	640,717.34
	501,342.78	501,342.78
<u>\$ 21,347,850.21</u>	<u>\$ 6,330,221.64</u>	<u>\$ 77,434,165.06</u>
\$ 7,248.08	\$ 230,138.84	\$ 2,079,712.34
15,055.50	231,650.63	866,858.37
626,109.69	48,651.65	1,046,267.35
		3,047,719.55
		3,773,656.59
	65,138.63	2,565,138.63
	52.50	52.50
	59,455.45	59,455.45
		551,587.00
		17,000,000.00
<u>648,413.27</u>	<u>635,087.70</u>	<u>30,990,447.78</u>
3,616,207.43	51,689.59	581,389.47
	351,950.99	12,939,145.76
	618,900.96	640,717.34
		618,900.96
		9,907,741.84
	569,935.67	569,935.67
17,083,229.51	4,102,656.73	21,185,886.24
<u>20,699,436.94</u>	<u>5,695,133.94</u>	<u>46,443,717.28</u>
<u>\$ 21,347,850.21</u>	<u>\$ 6,330,221.64</u>	<u>\$ 77,434,165.06</u>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 46,443,717.28</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		373,016,331.30
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,519,376.39
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.		11,533.10
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. This amount is the amount of accrued interest payable at fiscal year-end.		(103,959.38)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Qualified Zone Academy Bonds Payable	\$ 5,000,000.00	
Bonds Payable	4,317,533.10	
Compensated Absences Payable	11,444,883.94	
Postemployment Healthcare Benefits Payable	650,997.00	
		(21,413,414.04)
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 400,473,584.65</u></b>

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

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - Miscellaneous Fund
<b>Revenues</b>		
Intergovernmental:		
Federal Direct	\$ 165,294.43	\$
Federal Through State and Local	856,309.44	
State	33,463,469.19	350,000.00
Local:		
Property Taxes	87,745,969.27	
Charges for Services - Food Service		
Miscellaneous	2,956,946.79	391,283.81
<b>Total Revenues</b>	<b>125,187,989.12</b>	<b>741,283.81</b>
<b>Expenditures</b>		
Current - Education:		
Instruction	81,437,588.06	
Pupil Personnel Services	8,811,404.27	
Instructional Media Services	2,179,095.73	245,330.36
Instruction and Curriculum Development Services	3,782,844.85	
Instructional Staff Training Services	1,182,279.53	
Instruction Related Technology	457,593.70	
Board of Education	560,805.27	
General Administration	343,574.90	
School Administration	9,200,404.41	
Facilities Acquisition and Construction		3,063,292.56
Fiscal Services	1,129,713.89	34,538.24
Food Services		
Central Services	3,020,727.37	252,066.95
Pupil Transportation Services	6,782,316.91	
Operation of Plant	12,290,393.47	
Maintenance of Plant	3,692,181.32	
Administrative Technology Services	1,204,405.49	
Community Services	176,875.50	
Fixed Capital Outlay:		
Facilities Acquisition and Construction		43,594,797.20
Other Capital Outlay		10,252.26
Debt Service:		
Principal		
Interest and Fiscal Charges	375,591.11	
<b>Total Expenditures</b>	<b>136,627,795.78</b>	<b>47,200,277.57</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(11,439,806.66)</b>	<b>(46,458,993.76)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In	4,859,400.97	25,897,043.25
Insurance Loss Recoveries	9,276.91	
Transfers Out	(37,143.38)	
<b>Total Other Financing Sources (Uses)</b>	<b>4,831,534.50</b>	<b>25,897,043.25</b>
<b>Extraordinary Item</b>		
Loss Recoveries		18,079,328.98
<b>Net Change in Fund Balances</b>	<b>(6,608,272.16)</b>	<b>(2,482,621.53)</b>
Fund Balances, Beginning	17,558,529.35	11,581,510.74
<b>Fund Balances, Ending</b>	<b>\$ 10,950,257.19</b>	<b>\$ 9,098,889.21</b>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
1,044,830.51	2,349,379.13	2,514,673.56
	13,309,735.80	15,210,875.75
	2,944,593.88	36,758,063.07
33,360,561.63		121,106,530.90
299,650.70	3,144,637.40	3,144,637.40
	94,893.16	3,742,774.46
<u>34,705,042.84</u>	<u>21,843,239.37</u>	<u>182,477,555.14</u>
	5,312,343.87	86,749,931.93
	909,814.26	9,721,218.53
	9,255.10	2,433,681.19
	2,939,430.27	6,722,275.12
	972,613.02	2,154,892.55
		457,593.70
		560,805.27
	408,527.06	752,101.96
	151,159.46	9,351,563.87
6,851,142.57		9,914,435.13
	27,784.41	1,192,036.54
	8,379,601.14	8,379,601.14
	1,666.00	3,274,460.32
	13,441.09	6,795,758.00
	30,398.02	12,320,791.49
		3,692,181.32
		1,204,405.49
		176,875.50
5,029,316.71	260,895.79	48,885,009.70
3,334,143.16		3,344,395.42
	365,000.00	365,000.00
	226,220.56	601,811.67
<u>15,214,602.44</u>	<u>20,008,150.05</u>	<u>219,050,825.84</u>
<u>19,490,440.40</u>	<u>1,835,089.32</u>	<u>(36,573,270.70)</u>
	279,851.78	31,036,296.00
		9,276.91
<u>(28,701,187.37)</u>	<u>(2,297,965.25)</u>	<u>(31,036,296.00)</u>
<u>(28,701,187.37)</u>	<u>(2,018,113.47)</u>	<u>9,276.91</u>
		18,079,328.98
(9,210,746.97)	(183,024.15)	(18,484,664.81)
29,910,183.91	5,878,158.09	64,928,382.09
<u>\$ 20,699,436.94</u>	<u>\$ 5,695,133.94</u>	<u>\$ 46,443,717.28</u>

**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, 2009**

**Net Change in Fund Balances - Governmental Funds** \$ (18,484,664.81)

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. 41,598,915.45

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. This is the amount of bonds principal repaid in the current period. 365,000.00

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

Net decrease in expenses from unamortized premiums	\$	27,125.35	
Net increase in expenses from refunding costs		(15,076.89)	
Net increase in expenses from deferred charges		<u>(1,048.46)</u>	
			11,000.00

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued in the statement of activities. This is the net change in accrued interest in the current period. 8,927.95

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 earned in excess of the amount paid in the current period. (310,369.86)

Postemployment healthcare 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 postemployment healthcare benefits liability for the current fiscal year. (316,124.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 221,430.81

**Change in Net Assets - Governmental Activities** \$ 23,094,115.54

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
June 30, 2009**

		Governmental Activities - Internal Service Funds
		Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	2,533,106.67
Investments		30,557.46
Accounts Receivable		27.00
Due From Other Agencies		171.00
		171.00
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>2,563,862.13</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Salaries and Benefits Payable	\$	7,228.86
Payroll Deductions and Withholdings		10,701.64
Accounts Payable		2,011.36
Deposits Payable		24,543.88
		24,543.88
<b>Total Liabilities</b>		<b>44,485.74</b>
<b>NET ASSETS</b>		
Unrestricted		2,519,376.39
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>2,563,862.13</b>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009**

		Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services	\$	332,398.00
Charges for Sales		30,503.45
Premium Contributions		18,585,138.84
<b>Total Operating Revenues</b>		<b>18,948,040.29</b>
<b>OPERATING EXPENSES</b>		
Salaries		328,315.48
Employee Benefits		119,350.79
Purchased Services		18,228,364.43
Energy Services		7,711.91
Materials and Supplies		38,617.73
Capital Outlay		1,216.89
Other Expenses		120.00
<b>Total Operating Expenses</b>		<b>18,723,697.23</b>
<b>Operating Income</b>		<b>224,343.06</b>
<b>NONOPERATING REVENUES</b>		
Interest		(2,912.25)
<b>Change in Net Assets</b>		<b>221,430.81</b>
Total Net Assets - Beginning		2,297,945.58
<b>Total Net Assets - Ending</b>	<b>\$</b>	<b>2,519,376.39</b>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009**

		Governmental Activities - Internal Service Funds
<hr/>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Board Funds and Participants	\$	18,937,154.81
Cash Payments to Suppliers for Good and Services		(18,280,864.37)
Cash Payments to Employees for Services		(447,889.51)
		<hr/>
<b>Net Cash Provided by Operating Activities</b>		208,400.93
		<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments		(18,692,006.00)
Proceeds from Disposition of Investments		21,001,817.50
Interest		(2,912.25)
		<hr/>
<b>Net Cash Provided by Investing Activities</b>		2,306,899.25
		<hr/>
<b>Net Increase in Cash and Cash Equivalents</b>		2,515,300.18
Cash and Cash Equivalents, Beginning		17,806.49
		<hr/>
<b>Cash and Cash Equivalents, Ending</b>	\$	<u>2,533,106.67</u>

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

Operating Income	\$	224,343.06
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(27.00)
Decrease in Due From Other Agencies		1,866.00
Decrease in Salaries and Benefits Payable		(864.50)
Increase in Payroll Deductions and Withholdings		761.26
Decrease in Accounts Payable		(4,953.41)
Decrease in Deposits Payable		(12,724.48)
		<hr/>
<b>Total Adjustments</b>		(15,942.13)
		<hr/>
<b>Net Cash Provided by Operating Activities</b>	\$	<u>208,400.93</u>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2009**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>2,214,606.56</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ <u>2,214,606.56</u>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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 is considered part of the Florida system of public education. The governing body of the school district is the Charlotte County District School Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School 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 District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School 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 School Board's reporting entity:

- **Blended Component Unit.** The Charlotte School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the Charlotte County District School Board 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 the 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 information from the organization for the fiscal year ended June 30, 2009. The financial information is on file in the District's Administrative Office.

The Foundation reported an adjustment to beginning net assets. The restatement was to reclassify prepaid scholarships owned to temporarily restricted funds. Historically, the Foundation has expensed the costs of the scholarships in the year purchased. As a result of this change in reporting, the net assets of the Foundation has been adjusted as follows:

Net Assets - Beginning, As Previously Reported	\$ 145,983
Adjustment For Effect of Change	702,648
	848,631
Net Assets, Beginning, As Restated	\$ 848,631

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is reported as unallocated.

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 - Miscellaneous Fund – to account for the financial resources generated by insurance proceeds and State and Federal reimbursements as a result of the damage caused by Hurricane Charley in August of 2004 to be used for recovering damaged materials, supplies, equipment and buildings.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fund types:

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

➤ **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.

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

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

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

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the Columbia Money Market Reserves Fund and the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in LGIP and the Fund B Surplus Funds Trust Fund (Fund B) created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. 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 LGIP, 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 a liquid balance within LGIP.

Investments made locally consist of the Columbia Money Market Reserves Fund and the Federal Home Loan Mortgage Corporation Discount Note and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost using the moving average pricing method, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	7 - 10 years
Audio Visual Materials and Computer Software	5 years

Current year information relative to changes in general fixed assets is described in a subsequent note.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds payable are reported net of the applicable bond premium or discount. The applicable premium or discount and the difference between the reacquisition price and the net carrying amount of refunded debt are reported as part of the bond liability.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from 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 nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

The State provides financial assistance to administer certain categorical 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 categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical 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 School Board adopted the 2008 tax levy on September 9, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Charlotte County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**3. INVESTMENTS**

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1)	46 Day Average	\$ 47,691,432.09
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	1,012,135.62
Debt Service Accounts	6 Months	117,558.18
Columbia Money Market Reserves Fund (1)	46 Day Average	8,041,138.57
Federal Home Loan Mortgage Corporation (FHLMC)		
Discount Note (2)	October 30, 2009	501,342.78
Total Investments		\$ 57,363,607.24

Note: (1) Investments considered cash equivalents for financial reporting purposes.

(2) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZAB). See Note 6.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. 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 6.87 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, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to SBA LGIP, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2009, the District's investment in LGIP is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investment in the Columbia Money Market Reserves Fund is rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service.
- The District's investment in FHLMC is authorized under a forward delivery agreement with the QZAB paying agent. The forward delivery agreement authorizes investments in securities which mature not later than the next fund deposit date and have an aggregate purchase price which is as close as possible, but does not exceed the amount in the sinking fund at the time of purchase of the investment. The District's investment in the FHLMC discount note is unrated.

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

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**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

- The District's \$501,342.78 investment in the FHLMC discount note is held in a custodial account by the paying agent.

Concentration of Credit Risk

- The District does not have a formal policy that limits the amounts the District may invest in any one issuer. The District investments in FHLMC constitutes less than one percent of the District's total investments but constitutes 9 percent of the investments in the other governmental funds. This investment is made pursuant to a forward delivery agreement related to the District's QZAB (See Note 6).

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 12,813,413.30	\$ 1,410.00	\$	\$ 12,814,823.30
Construction in Progress	78,926,268.99	48,261,754.16	60,210,218.09	66,977,805.06
<b>Total Capital Assets Not Being Depreciated</b>	<b>91,739,682.29</b>	<b>48,263,164.16</b>	<b>60,210,218.09</b>	<b>79,792,628.36</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,869,056.29	360,949.73		5,230,006.02
Buildings and Fixed Equipment	275,382,139.37	60,210,218.09		335,592,357.46
Furniture, Fixtures, and Equipment	23,493,551.86	2,502,871.81	2,398,813.04	23,597,610.63
Motor Vehicles	11,968,032.20	1,052,098.50	1,410,989.86	11,609,140.84
Audio Visual Materials and Computer Software	1,099,978.87	62,078.75	266,159.29	895,898.33
<b>Total Capital Assets Being Depreciated</b>	<b>316,812,758.59</b>	<b>64,188,216.88</b>	<b>4,075,962.19</b>	<b>376,925,013.28</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,668,845.00	177,956.00		3,846,801.00
Buildings and Fixed Equipment	50,066,401.00	6,704,521.00		56,770,922.00
Furniture, Fixtures, and Equipment	15,452,137.55	2,672,567.81	2,398,813.04	15,725,892.32
Motor Vehicles	6,854,632.28	1,070,106.04	1,410,989.86	6,513,748.46
Audio Visual Materials and Computer Software	1,093,009.20	17,096.65	266,159.29	843,946.56
<b>Total Accumulated Depreciation</b>	<b>77,135,025.03</b>	<b>10,642,247.50</b>	<b>4,075,962.19</b>	<b>83,701,310.34</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>239,677,733.56</b>	<b>53,545,969.38</b>		<b>293,223,702.94</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 331,417,415.85</b>	<b>\$ 101,809,133.54</b>	<b>\$ 60,210,218.09</b>	<b>\$ 373,016,331.30</b>

The District's capital assets serve several functions; accordingly, depreciation expense, which totals \$10,642,247.50, is not charged to functions but is shown as unallocated on the statement of activities.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

On October 17, 2008, under provisions of Section 1011.13, Florida Statutes, the District issued Tax Anticipation Note, Series 2008, in the amount of \$17 million. The District used the note proceeds to provide interim funds for operating expenditures for the 2008-09 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The note carries an interest rate of 4 percent and a maturity date of October 1, 2009.

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

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Tax Anticipation Note	\$	\$ 17,000,000	\$	\$ 17,000,000

**6. QUALIFIED ZONE ACADEMY BONDS PAYABLE**

On November 27, 2006, the District entered into a financing arrangement, which arrangement was characterized as a lease-purchase agreement, with the Charlotte School Board Leasing Corporation, whereby the District secured financing under the Qualified Zone Academy Bonds (QZAB) Program in the amount of \$5,000,000. The QZAB Program provides no interest cost financing to purchase certain goods or services for schools located in eligible District areas (zones). The District received financing of \$5,000,000 from a local bank on November 27, 2006. Interest on the debt is “paid” by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of sale. Repayment of the original \$5,000,000 financing proceeds is due in full on November 27, 2022. In connection with the financing, the District entered into a forward delivery agreement requiring annual deposits of \$242,708.40 into a sinking fund for 16 consecutive years beginning November 27, 2007. The forward delivery agreement provides for a guaranteed investment return of 3.25 percent per annum, whereby the required deposits, along with the accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures. The financing proceeds were designated for technology upgrades/replacements, computer laptops, and instructional equipment/materials at the following schools: The Academy at Charlotte Tech Center, Charlotte Harbor Center School, Neil Armstrong Elementary School, Port Charlotte Middle School, and Port Charlotte High School. As of June 30, 2009, the paying agent held \$501,342.78.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**7. BONDS PAYABLE**

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 345,000.00	4.375 - 4.750	2019
Series 2005B, Refunding	<u>3,840,000.00</u>	5.0	2018
Subtotal	4,185,000.00		
Add: Unamortized Premium on Debt	298,378.89		
Less: Unamortized Difference Between Reacquisition Price and Net Carrying Amount of Old Debt	<u>(165,845.79)</u>		
Total Bonds Payable	<u><u>\$ 4,317,533.10</u></u>		

The bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf 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.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2010	\$ 587,919.00	\$ 380,000.00	\$ 207,919.00
2011	584,200.00	395,000.00	189,200.00
2012	584,650.00	415,000.00	169,650.00
2013	584,100.00	435,000.00	149,100.00
2014	587,500.00	460,000.00	127,500.00
2015-2019	<u>2,371,262.50</u>	<u>2,100,000.00</u>	<u>271,262.50</u>
<b>Total State School Bonds</b>	<b>5,299,631.50</b>	<b>4,185,000.00</b>	<b>1,114,631.50</b>
Add: Unamortized Premium on Debt	298,378.89	298,378.89	
Less: Unamortized Difference Between the Reacquisition Price and Net Carrying Amount of Old Debt	<u>(165,845.79)</u>	<u>(165,845.79)</u>	
<b>Total</b>	<b><u>\$5,432,164.60</u></b>	<b><u>\$4,317,533.10</u></b>	<b><u>\$1,114,631.50</u></b>

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

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Qualified Zone Academy Bonds	\$ 5,000,000.00	\$	\$	\$ 5,000,000.00	\$
Bonds Payable	4,694,581.56		377,048.46	4,317,533.10	380,000.00
Compensated Absences Payable	11,134,514.08	1,658,913.45	1,348,543.59	11,444,883.94	1,221,737.23
Postemployment Healthcare Benefits Payable	<u>334,873.00</u>	<u>592,837.00</u>	<u>276,713.00</u>	<u>650,997.00</u>	
<b>Total Governmental Activities</b>	<b><u>\$ 21,163,968.64</u></b>	<b><u>\$ 2,251,750.45</u></b>	<b><u>\$ 2,002,305.05</u></b>	<b><u>\$ 21,413,414.04</u></b>	<b><u>\$ 1,601,737.23</u></b>

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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 2,565,138.63	\$
Special Revenue:		
Miscellaneous		2,500,000.00
Nonmajor Governmental		65,138.63
Total	\$ 2,565,138.63	\$ 2,565,138.63

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 4,859,400.97	\$ 37,143.38
Special Revenue:		
Miscellaneous	25,897,043.25	
Capital Projects:		
Local Capital Improvement		28,701,187.37
Nonmajor Governmental	279,851.78	2,297,965.25
Total	\$ 31,036,296.00	\$ 31,036,296.00

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred to the General Fund from the Capital Projects Funds to finance various District maintenance projects and equipment purchases and to pay property casualty insurance premiums. The transfer into the Special Revenue – Miscellaneous Fund was for hurricane repairs. The transfer out of the General Fund was to finance the local non-Federal share of grant expenditures.

**10. RESERVE FOR ENCUMBRANCES**

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year’s appropriations are likewise encumbered.

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 5,047,943.00
Categorical Educational Programs:	
Class Size Reduction	16,973,879.00
Transportation	3,734,229.00
Instructional Materials	1,643,552.00
School Recognition	1,237,202.00
Voluntary Prekindergarten	593,751.16
Excellent Teaching	308,106.12
Florida Teachers Lead	243,377.00
Workforce Development Program	2,818,638.00
Gross Receipts Tax (Public Education Capital Outlay)	2,160,819.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	690,555.91
Discretionary Lottery Funds	409,176.00
Workforce Development Performance Incentive	60,321.00
Miscellaneous	836,513.88
	<hr/>
Total	<u><u>\$ 36,758,063.07</u></u>

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

**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.021	\$ 79,254,322
Basic Discretionary Local Effort	0.498	9,815,631
Supplemental Discretionary Local Effort	0.091	1,793,619
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	34,492,679
Total	<u><u>6.360</u></u>	<u><u>\$ 125,356,251</u></u>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**13. 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 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.

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. There were 363 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$2,186,177.31.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

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

The District’s liability for participation in the Plan 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 for the fiscal years ending June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$7,466,317.07, \$7,699,191.14, and \$7,282,462.25, respectively, which were equal to the required contributions for each fiscal year.

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.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

***Plan Description.*** The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and their eligible dependents are eligible to participate in the 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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

as soon as they are eligible. The Postemployment Healthcare Benefits 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.*** 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 2008-09 fiscal year, 72 retirees received postemployment healthcare benefits. The District provided required contributions of \$276,713 toward the annual OPEB cost, net of retiree contributions totaling \$661,601, which represents 0.7 percent of covered payroll.

***Annual OPEB Cost and Net OPEB Obligation.*** The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 382,523
Amortization of Unfunded Actuarial Accrued Liability	181,807
Interest on Normal Cost and Amortization	<u>25,394</u>
Annual Required Contribution	589,724
Interest on Net OPEB Obligation	15,069
Adjustment to Annual Required Contribution	<u>(11,956)</u>
Annual OPEB Cost (Expense)	592,837
Contribution Toward the OPEB Cost	<u>(276,713)</u>
Increase in Net OPEB Obligation	316,124
Net OPEB Obligation, Beginning of Year	<u>334,873</u>
Net OPEB Obligation, End of Year	<u><u>\$ 650,997</u></u>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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, 2009 and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08	\$		\$ 0
2007-08	564,329	40.7%	334,873
2008-09	592,837	46.7%	650,997

**Funded Status and Funding Progress.** As of July 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$4,981,327, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,981,327 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$93,787,311, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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 initial OPEB actuarial valuation as of July 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District’s 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 11.0 percent initially for the 2009 calendar year, reduced by varying decrements per year, to an ultimate rate of 5.0 percent after 11 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**15. CONSTRUCTION CONTRACT COMMITMENTS**

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

Project	Contract Amount	Completed to Date	Balance Committed
Charlotte High School:			
Architect	\$ 5,354,854.00	\$ 4,910,173.05	\$ 444,680.95
Contractor Phase I	6,049,524.45	5,638,863.54	410,660.91
Contractor Phase II	9,029,448.77	6,094,475.45	2,934,973.32
Contractor Phase III	45,267,318.73	24,975,154.73	20,292,164.00
Contractor Phase IV	3,840,418.68	2,130,609.64	1,709,809.04
Punta Gorda Center:			
Architect	905,000.00	124,800.00	780,200.00
	<u>\$ 70,446,564.63</u>	<u>\$ 43,874,076.41</u>	<u>\$ 26,572,488.22</u>

**16. CONSORTIUMS**

The District is a member of the Special Projects Center Consortium, a four-district consortium formed to provide instructional media to support the educational programs of the schools served by the Center. The Consortium 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.

**17. 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 eight 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 or their designees of all participating districts. Employer's Mutual, Inc., serves as the third-party administrator and fiscal agent for SCERMP.

The property and casualty group under SCERMP is a public entity risk pool that was organized to develop, implement, and administer a multidistrict 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

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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 that the deficiency results from a specific claim against a member school board in excess 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 \$1,000,000 and \$100,000, respectively. Special hazard flood areas are \$500,000 per building and \$500,000 contents.

The District's health and hospitalization insurance program is administered by an insurance carrier under minimum premium plan agreement. The insurance carrier invoices the District monthly for the minimum premium due under the agreement to pay claims submitted by District employees and dependents. The District deposits amounts withheld from the employees and amounts contributed by the Board into the Employee Benefits Program Internal Service Fund to pay premiums due and any additional premium liabilities.

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

**18. INTERNAL SERVICE FUNDS**

The following is a summary of financial information as reported in the Internal Service Funds for the 2008-09 fiscal year:

	Total	Employee Benefits Program	Special Projects Center
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Assets	<u>2,563,862.13</u>	<u>2,482,654.84</u>	<u>81,207.29</u>
Liabilities and Net Assets:			
Accounts Payable	\$ 2,011.36	\$ 1,831.54	\$ 179.82
Salaries and Benefits Payable	7,228.86	1,546.05	5,682.81
Payroll Deductions and Withholdings	10,701.64	3,802.17	6,899.47
Deposits Payable	24,543.88	24,543.88	
Unrestricted Net Assets	<u>2,519,376.39</u>	<u>2,450,931.20</u>	<u>68,445.19</u>
Total Liabilities and Net Assets	<u>\$ 2,563,862.13</u>	<u>\$ 2,482,654.84</u>	<u>\$ 81,207.29</u>
Revenues:			
Premium Contributions	\$ 18,585,138.84	\$ 18,585,138.84	\$
Charges for Services	332,398.00		332,398.00
Charges for Sales	30,503.45		30,503.45
Interest	<u>(2,912.25)</u>	<u>(2,291.82)</u>	<u>(620.43)</u>
Total Revenues	18,945,128.04	18,582,847.02	362,281.02
Total Expenses	<u>(18,723,697.23)</u>	<u>(18,348,938.11)</u>	<u>(374,759.12)</u>
Change in Net Assets	<u>\$ 221,430.81</u>	<u>\$ 233,908.91</u>	<u>\$ (12,478.10)</u>

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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

For the Head Start and Early Head Start grants, the District is required to provide 20 percent of the total amount expended using non-Federal funds and donated goods and services. Local funds expended were for facilities, equipment and district support staff, such as therapists, psychologists and teachers. Donated goods and services were provided by the community and were used for the benefit of the program. During this fiscal year, for grant number 04CH3161/42 with a period ending October 31, 2008, the required amount of non-Federal share is \$171,728.00. For grant number 04CH3161/43, the required amount of non-Federal share during the period November 1, 2008, through June 30, 2009, is \$352,418.00.

**20. EXTRAORDINARY ITEM**

The following is a summary of financial information as reported in the statement of activities for the 2008-09 fiscal year:

Extraordinary Item:	
Loss Recoveries	\$ 18,079,328.98
Expenditures for Replacements	<u>(3,595,228.11)</u>
Total Extraordinary Item	<u><u>\$ 14,484,100.87</u></u>

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 180,000.00	\$ 180,000.00	\$ 165,294.43	\$ (14,705.57)
Federal Through State and Local State	460,000.00	467,518.00	856,309.44	388,791.44
State	37,764,527.00	33,980,449.00	33,463,469.19	(516,979.81)
Local:				
Property Taxes	87,885,684.00	87,874,304.00	87,745,969.27	(128,334.73)
Miscellaneous	3,976,213.00	3,582,880.00	2,956,946.79	(625,933.21)
<b>Total Revenues</b>	<u>130,266,424.00</u>	<u>126,085,151.00</u>	<u>125,187,989.12</u>	<u>(897,161.88)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	84,195,372.00	83,210,429.00	81,437,588.06	1,772,840.94
Pupil Personnel Services	8,925,112.00	8,937,470.00	8,811,404.27	126,065.73
Instructional Media Services	2,362,652.00	2,237,504.00	2,179,095.73	58,408.27
Instruction and Curriculum Development Services	4,205,448.00	4,183,048.00	3,782,844.85	400,203.15
Instructional Staff Training Services	1,218,510.00	1,228,848.00	1,182,279.53	46,568.47
Instruction Related Technology	561,675.00	563,819.00	457,593.70	106,225.30
Board of Education	721,034.00	693,248.00	560,805.27	132,442.73
General Administration	346,781.00	391,630.00	343,574.90	48,055.10
School Administration	9,296,002.00	9,266,533.00	9,200,404.41	66,128.59
Facilities Acquisition and Construction				
Fiscal Services	1,131,136.00	1,137,961.00	1,129,713.89	8,247.11
Food Services				
Central Services	3,339,046.00	3,069,124.00	3,020,727.37	48,396.63
Pupil Transportation Services	7,441,146.00	7,257,632.00	6,782,316.91	475,315.09
Operation of Plant	13,727,269.00	12,574,934.00	12,290,393.47	284,540.53
Maintenance of Plant	4,103,170.00	3,997,853.00	3,692,181.32	305,671.68
Administrative Technology Services	1,406,987.00	1,355,914.00	1,204,405.49	151,508.51
Community Services	208,001.00	179,616.00	176,875.50	2,740.50
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay				
Debt Service:				
Interest and Fiscal Charges	350,000.00	375,591.00	375,591.11	(0.11)
<b>Total Expenditures</b>	<u>143,539,341.00</u>	<u>140,661,154.00</u>	<u>136,627,795.78</u>	<u>4,033,358.22</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(13,272,917.00)</u>	<u>(14,576,003.00)</u>	<u>(11,439,806.66)</u>	<u>3,136,196.34</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	5,266,000.00	5,166,000.00	4,859,400.97	(306,599.03)
Insurance Loss Recoveries		9,277.00	9,276.91	(0.09)
Transfers Out	(250.00)	(37,144.00)	(37,143.38)	0.62
<b>Total Other Financing Sources (Uses)</b>	<u>5,265,750.00</u>	<u>5,138,133.00</u>	<u>4,831,534.50</u>	<u>(306,598.50)</u>
<b>Extraordinary Item</b>				
Loss Recoveries				
<b>Net Change in Fund Balances</b>	<u>(8,007,167.00)</u>	<u>(9,437,870.00)</u>	<u>(6,608,272.16)</u>	<u>2,829,597.84</u>
Fund Balances, Beginning	17,572,367.00	17,558,529.00	17,558,529.35	0.35
<b>Fund Balances, Ending</b>	<u>\$ 9,565,200.00</u>	<u>\$ 8,120,659.00</u>	<u>\$ 10,950,257.19</u>	<u>\$ 2,829,598.19</u>

Special Revenue - Miscellaneous Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 3,000,000.00	\$ 3,000,000.00	\$ 350,000.00	\$ (3,000,000.00)
	391,284.00	391,283.81	(0.19)
<u>3,000,000.00</u>	<u>3,741,284.00</u>	<u>741,283.81</u>	<u>(3,000,000.19)</u>
15,086.00	245,332.00	245,330.36	1.64
79,305,454.00	35,609,364.00	3,063,292.56	32,546,071.44
34,193.00	34,777.00	34,538.24	238.76
	2,214.00		2,214.00
151,393.00	319,769.00	252,066.95	67,702.05
	43,594,800.00	43,594,797.20	2.80
	10,300.00	10,252.26	47.74
<u>79,506,126.00</u>	<u>79,816,556.00</u>	<u>47,200,277.57</u>	<u>32,616,278.43</u>
<u>(76,506,126.00)</u>	<u>(76,075,272.00)</u>	<u>(46,458,993.76)</u>	<u>29,616,278.24</u>
25,896,449.00	25,897,044.00	25,897,043.25	(0.75)
<u>25,896,449.00</u>	<u>25,897,044.00</u>	<u>25,897,043.25</u>	<u>(0.75)</u>
<u>40,749,913.00</u>	<u>39,596,717.00</u>	<u>18,079,328.98</u>	<u>(21,517,388.02)</u>
(9,859,764.00)	(10,581,511.00)	(2,482,621.53)	8,098,889.47
<u>11,581,511.00</u>	<u>11,581,511.00</u>	<u>11,581,510.74</u>	<u>(0.26)</u>
<u>\$ 1,721,747.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 9,098,889.21</u>	<u>\$ 8,098,889.21</u>

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009**

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	\$ 898,804.99
National School Lunch Program	10.555	300	3,418,005.21
Summer Food Service Program for Children	10.559	323	120,314.22
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	473,811.34
<b>Total United States Department of Agriculture</b>			<b>4,910,935.76</b>
<b>Federal Mediation and Conciliation Service:</b>			
Direct:			
Labor Management Cooperation	34.002	N/A	14,040.44
<b>United States Department of Education:</b>			
Direct:			
Fund for the Improvement of Education	84.215	N/A	238,755.00
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grants	84.007	N/A	6,801.00
Federal Pell Grant Program	84.063	N/A	288,254.03
<b>Total Student Financial Assistance Cluster</b>			<b>295,055.03</b>
<b>Total Direct</b>			<b>533,810.03</b>
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	4,120,955.94
Special Education - Preschool Grants	84.173	267	82,829.25
<b>Total Special Education Cluster</b>			<b>4,203,785.19</b>
Adult Education - Basic Grants to States	84.002	191, 193	231,292.37
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,615,755.63
Career and Technical Education - Basic Grants to States	84.048	151, 161	374,324.29
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	38,176.22
Education for Homeless Children and Youth	84.196	127	116,367.48
Even Start - State Educational Agencies	84.213	219	183,222.90
State Grants for Innovative Programs	84.298	113	8,906.42
Education Technology State Grants	84.318	121	21,977.19
English Language Acquisition Grants	84.365	102	48,816.54
Improving Teacher Quality State Grants	84.367	224	553,899.60
Lee County District School Board:			
Reading First State Grants	84.357	None	244,152.00
<b>Total Indirect</b>			<b>8,640,675.83</b>
<b>Total United States Department of Education</b>			<b>9,174,485.86</b>
<b>United States Department of Health and Human Services:</b>			
Direct:			
Head Start	93.600 (3)	N/A	2,096,583.69
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039	None	1,052,348.55
Florida Department of Education:			
Homeland Security Grant Program	97.067	None	2,276.21
<b>Total United States Department of Homeland Security</b>			<b>1,054,624.76</b>
<b>United States Department of Defense:</b>			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	165,294.43
<b>Total Expenditures of Federal Awards</b>			<b>\$ 17,415,964.94</b>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2008-09 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(3) Head Start. For grant number/program year 04CH3161/42, expenditures include Head Start PA-22 \$528,657.31 and PA-20 \$8,385.09 and Early Head Start PA-25 \$145,848.60 and PA-11 \$4,022.19. For grant number/program year 04CH3161/43, expenditures include Head Start PA-22 \$980,156.26 and PA-20 \$25,819.31 and Early Head Start PA-25 \$395,522.31 and PA-11 \$8,172.62.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charlotte County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Charlotte County District School Board's financial statements. The financial statements of the school internal funds and the discretely presented component unit 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

March 10, 2010



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Charlotte County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

### Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in the District's 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
March 10, 2010

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Improving Teacher Quality State Grants (CFDA No. 84.367); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$522,478
Auditee qualified as low-risk auditee?	Yes

**CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**ADDITIONAL MATTERS**

**Finding No. 1: Ad Valorem Taxation**

Section 1011.71, Florida Statutes, provides that each school board may levy against the taxable value not more than 1.75 mills for capital outlay purposes. This section also provides the allowable uses of capital outlay millage levy proceeds that includes, among other things, funding new construction and remodeling projects; school bus purchases; and enterprise resource software applications that are used to support district-wide administration subject to certain conditions and limitations. In addition, Section 200.065(10)(a), Florida Statutes, imposes requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the District intends to spend the tax levy proceeds and to specify in the required notice of tax levy the projects to be funded.

During the 2008-09 fiscal year, the District accounted for all capital outlay tax levy transactions for current and previous year levies, along with certain local proceeds such as interest on investments and local gifts and grants, in one capital projects subfund (i.e., Capital Projects - Local Capital Improvement Fund or LCIF). However, by accounting for the above activities in one subfund, District records did not clearly identify the revenues generated from particular tax levies and how the District used these levies only for allowable projects set forth in the respective tax levy advertisements. Consequently, there is an increased risk of the District using such proceeds for projects not appropriately advertised during the school year the taxes were levied, contrary to Sections 1011.71 and 200.065(10)(a), Florida Statutes.

District personnel indicated that they use LCIF moneys on the first-in/first-out method and, because many projects continue over the years, they are typically included in the current year advertisement. We agree that using a first-in/first-out method would provide a correlation of the tax levy expenditures, revenues, and advertisements when tax levy proceeds and projects remain the same over the years, but typically tax levy advertisements and revenues change over multiyear periods. For example, the 2007-08 fiscal year advertisement had five new construction and additions to schools that were not on the 2008-09 advertisement, and for the 2006-07 fiscal year advertisement, there were four new construction and additions that were not on the 2007-08 or 2008-09 fiscal year advertisements. Also, since the balance in the capital projects subfund does not retain its identification as to when it was collected, expenditures from the subfund are not appropriately correlated in District records to projects advertised during the school year the tax revenues were levied. With tax levy revenues not specifically identified by fiscal year and advertisements differing over the years, District records did not clearly correlate the respective tax levy proceeds and expenditures to specific projects advertised or readily identify that expenditures of individual millage levy proceeds were limited to advertised projects for the respective tax levies.

During the 2008-09 fiscal year, the District had capital outlay millage expenditures totaling \$14.2 million, and we tested expenditures totaling \$3.5 million to determine their propriety. Our test disclosed purchases, totaling \$137,315, for instructional software, software licenses, and Microsoft Office licenses, which are not specifically included as an

allowable use, contrary to the provisions of Section 1011.71, Florida Statutes. These expenditures totaling \$137,315 represent questioned costs. Discussions with District personnel indicated that they believed these expenditures would be an allowable use of the capital outlay millage proceeds. While Section 1011.71, Florida Statutes, does allow for purchases of certain enterprise resource software applications used on a districtwide administration, District records did not evidence that the use of the instructional software, software licenses, and Microsoft Office licenses met the requirements set forth in statute.

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**Recommendation:** To enhance the District's accountability and transparency of capital outlay millage transactions and to clearly evidence compliance with statutory requirements relating to these moneys, the District should separately account for these transactions by respective fiscal year tax levy, and ensure that it limits the use of capital outlay millage funds to allowable purposes for each fiscal year's levy. Further, the District should document to the Florida Department of Education the allowability of the instructional software, software licenses, and Microsoft Office licenses, or these costs should be restored to the Capital Projects – Local Capital Improvement Fund.

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### Finding No. 2: Adult Education Reporting

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Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. In addition, school districts are required to develop their own procedures for withdrawing students.

The District reported 97,586 adult general education hours to FDOE. Our tests of District records for ten students enrolled in ten adult general education classes disclosed exceptions in the enrollment reporting for all ten classes tested, as follows:

- The District overreported 24 hours for four students in four classes and underreported 37 hours for six students in six classes.
- District personnel input attendance hours into the Student Administration Information System (SASI), and reports the hours in this system to FDOE. Our review disclosed that the hours in SASI for the ten students and ten classes totaled 118 while the hours shown in the FDOE system totaled 132, a difference of 14 hours.

Although we discussed the above exceptions with District personnel, they could not provide an explanation of why these errors occurred. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

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**Recommendation:** The District should enhance its controls over the reporting of adult general education instructional contact hours to FDOE.

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### Finding No. 3: Vendor Payment Processing

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Our review disclosed incompatible duties in that three accounts payable clerks and one accounting assistant had update access capabilities to revise or add vendor information in the accounting system, and could also process certain vendor payments. Based on responses to our inquiries and our understanding of the accounting system, the system

could not separate these access privileges. While the District had certain procedures, such as budgetary and expenditures monitoring and the inability of the four employees to initiate purchases orders, to partially compensate for this deficiency, there is an increased risk that these incompatible duties could allow payments to fictitious vendors without being prevented or detected in a timely manner.

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

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**Finding No. 4: Information Technology – Policies and Procedures**

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Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

The District lacked written policies and procedures for the following IT functions:

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

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

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

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**Finding No. 5: Information Technology – User Authentication**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

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**FEDERAL AWARDS FINDING AND QUESTIONED COSTS**

**Federal Awards Finding No. 1:**  
**Federal Agency:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Improving Teacher Quality State Grants (CFDA No. 84.367)  
**Finding Type:** Noncompliance  
**Questioned Costs:** Not Applicable

**Reporting.** The District receives funding for various Federally-funded programs through Florida Department of Education (FDOE). Reporting and administrative requirements are governed by the FDOE publication titled, *Project Application and Amendment Procedures for Federal and State Programs*. Section C of this publication provides instructions to district school boards to request advances of Federal cash and preparation and submission of Form DOE 026, a report used to reconcile the Federal cash balance shown on the FDOE Distributive Aid and Cash Advance Status Report (FDOE’s report) to the District’s accounting records, by November 1, 2009. However, the District did not complete and submit the reconciliation until January 14, 2010, or over two months late. The failure to timely submit the required FDOE cash advance reconciliation limits FDOE’s ability to timely monitor the District’s Federal expenditures.

**Recommendation:** The District should enhance its procedures to ensure that the required cash advance reconciliation is completed and filed within the established time period.

District Contact Person: Gregory Griner, Chief Financial Officer

**PRIOR AUDIT FOLLOW-UP**

The District had taken corrective actions for findings included in our report No. 2009-179.

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

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

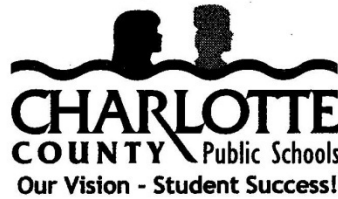
*CHARLOTTE COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2009-179		No prior Federal audit findings.		

EXHIBIT A  
MANAGEMENT'S RESPONSE

David E. Gayler, Ph.D  
Superintendent



School Board  
Sue Sifrit, *Chairman*  
Andrea Messina, *Vice Chairman*  
Alleen Miller  
Barbara Rendell  
Lee Swift

March 8, 2010

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

Dear Mr. Martin:

We have received the list of preliminary and tentative audit findings and hereby submit our written response as required by Section 11.45(7)(d), Florida Statute.

Finding No. 1: Ad Valorem Taxation

We believe that our records are more than adequate to determine compliance with the legal requirements of Section 1011.71, F.S. and Section 200.065(10)(a), F.S., however to eliminate even the remote possibility that the expenditures of such funds do not fully comply with the statutes in question, we will in future year audits provide your office with an analysis of the revenues and expenditures associated with each years levy. As you clarified during a conference call on March 1, 2010 with my staff the focus of your finding and recommendation is the need for clearly correlating the expenditures by levy as advertised rather than the methodology by which the district is able to demonstrate adherence to the applicable statutory requirements. In order to ensure that our analysis is legally sufficient to meet the needs of your compliance review process we request an opportunity to meet with appropriate staff from your office to present a proposed format for such an analysis and get your feedback so that we can come to agreement on a document that will provide clear and compelling evidence as to the districts accountability for each years levy.

While we have no doubt that the software purchases that you have questioned are permissible expenditures of public funds, we understand your position in interpreting the laws, rules and opinions upon which you relied to determine the need to question such costs. In order to bring clarity to this issue we are asking our attorney to conduct a legal review, after which we will work with the Florida Department of Education to resolve this matter.

Finding No. 2: Adult Education Reporting

We will be making changes in our reporting procedures for Adult Education programs so that we can more accurately report the data.

Finding No. 3: Vendor Payment Processing

We have implemented new procedures to automatically log vendor changes and have all changes reviewed in a timely manner by staff that is not a part of the vendor payment process.

Finding No. 4: Information Technology – Policies and Procedures and Finding No. 5: Information Technology – User Authentication

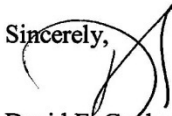
We understand the concerns raised and will diligently strive to improve our policies and procedures to ensure that we maintain appropriate controls over the confidentiality, integrity and availability of data and IT resources.

Federal Awards Finding No. 1: Cash Advance Reconciliation

We concur that we were late in filing the Cash Advance Reconciliation. We will endeavor to comply with this requirement in the future.

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

Sincerely,



David E. Gayler, Ph.D  
Superintendent of Schools