FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

CHARLOTTE COUNTY
DISTRICT SCHOOL BOARD
PORT CHARLOTTE, FLORIDA

JUNE 30, 2011

INDEPENDENT AUDITORS' REPORT

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, statements based on our audit. We did not audit the financial statements of the

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

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

- Governmental activities – This represents most of the District's services including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the state's education finance program provide most of the resources that support these activities.

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

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other financial factors, such as changes in the District's property tax base, student e

The largest revenue source for the 2011 fiscal year is from the property tax levy, which resulted in total revenue for operational and capital purposes of $79,265,503, or 60.7 percent of total revenues before extraordinary items. Property taxes decreased by $10,078,241 or 8.4 percent due to decreases in property values. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student ss all Florida school districts, taking into operty tax base. Revenue from State scal year, of which $4,352,773 is ed by $3 for the 20a dis77(nh (1)

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is $513,299.61 while the total fund balance is $6,548,001.32. The unassigned fund balance decreased by $4,167,511.83 while the total fund balance increased by $1,837,889.74 during the fiscal year.

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

The District received Special Revenue – ARRA Economic Stimulus Funds this year of $1,708,963.76, the majority of which was for reimbursements of expenditures of salaries and benefits.

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

The District Bonds fund balance is $1,519,486.77 all of which is restricted for the replacement construction of two existing schools, Lemon Bay High School and Meadow Park Elementary School. The District iss.373 -7 (i)7(c8Qu)12(r)2(r)-r(l)7(ei)7/P <</.033 Tw15e2(ool)7 h -1.145 TD [(t)7(r)2(0(und2(c)4(t)-5.c(ace)-

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

	Primary Government Governmental Activities	Component Unit
Assets		
Cash and Cash Equivalents	$ 35,202,645.63	$ 71,961.00
Investments	1,052,728.10	
Accounts Receivable	11,508.14	9,045.00
Due from Other Agencies	763,745.60	
Due from Insurance Consortium	22,117,754.16	
Prepaid Items	24,702.00	723,222.00
Inventories	716,522.13	6,500.00
Deferred Charges	11,797.02	
Liabilities and Net Assets		
Liabilities		
Salaries and Benefits Payable	853,071.70	
Payroll Deductions and Withholdings	771,521.59	
Accounts Payable	1,737,579.92	307.00
Construction Contracts Payable	2,580,289.80	
Construction Contracts Retainage Payable		
93,432,456.07	6,807.00	
387,461,499.47		
376,382.12		
4,562,040.45		
36,180,772.09		
1,258,020.60		
	784,329.00	
6,938,265.99	19,592.00	
Total Net Assets	$ 436,776,980.72	$ 803,921.00

See accompanying notes.

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

See accompanying notes.

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

Capital Projects	Capital Projects	Other	Total

See accompanying notes.

	Special	Special

Capital	Capital

See accompanying notes.

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

Net Change in Fund Balances - Governmental Funds		$ (40,523,605.36)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.		
Capital Outlay	$ 55,688,030.63	
Depreciation Expense	(13,039,491.41)	42,648,539.22
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the government funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(84,923.05)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current period:		
Bond Payments	395,000.00	395,000.00
Premiums, refunding losses and debt issuance costs are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the governmental-wide statements:		
Amortization of Debt Issuance Costs	(1,363.24)	
Amortization of Debt Premiums	30,041.63	
Amortization of Refunding Losses	(15,545.06)	13,133.33
Certain hurricane loss recoveries will not be collected for several months after fiscal year-end and are not considered as "available" revenues in the governmental funds. They are, however, recorded as revenues in the statement of activities. This represents the change in the deferred amounts from June 30, 2010 to June 30, 2011.		(1,137,984.84)

See accompanying notes.

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued

See accompanying notes.

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

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

See accompanying notes.

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for Services	$ 226,100.00
Charges for Sales	13,296.00
Premium Contributions	18,970,921.48
Other Income	318,876.63
Total Operating Revenues	19,529,194.11

6cemi8 <<8]TJ EMc f Tw (100. np3.aTw 45.542 0 Td>>BDC 5.o9)Tj 0 Tw ( )Tj EMC /P <</MCID 74 >>BDC /T(50D

See accompanying notes.

	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities	
Cash Received from Board Funds	$ 15,213,601.21
Cash Received from Participants	4,098,826.83
Other Receipts	318,876.63
Cash PaymentsO41	

See accompanying notes.

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

	Agency Funds
Assets	
Cash	$ 2,337,856.75
Total Assets	2,337,856.75
Liabilities	
Due to Other Funds	27,369.71
Internal Accounts Payable	2,310,487.04
Total Liabilities	$ 2,337,856.75

See accompanying notes.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Charlotte County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Charlotte County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Charlotte County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on the application of these criteria, the following component units are included within the District's reporting entity:

- **Blended Component Unit**—The Charlotte County School Board Leasing Corporation (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

  Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Concluded)

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

Restricted Cash and Investments

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

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

Receivables/Due from Others

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

Prepaid Items and Inventories

Note 1 - SUMMARY OF SIGNIFICA

Note 3 - **INVESTMENTS** (Continued)

Interest Rate Risk (Concluded)

■

CHARLOTTE COUNTY

Note 8 - STATE SCHOOL BONDS PAYABLE (Concluded)

The various bonds were issued by the State Board of Education to finance capital outlay projects of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

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

Fiscal Year Ending June 30	Total

te067BDC BT /TT2 1 Tf 0.006 Tc -0.006 Tw 9.96 0 0 9.96 3

Note 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

	Interfund	

Note 11 - FUND BALANCE REPORTING

The District has adopted GASB 54 as part of its 2011 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications based on the level of constraints imposed on the uses of those resources.

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

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on

Note 11 - FUND BALANCE REPORTING (Concluded)

Minimum Fund Balance Policy

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

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

Note 13 - PROPERTY TAXES (Concluded)

General Fund	Millages	Taxes Levied
Nonvoted School Tax:		
Required Local Effort	5.217	$ 76,362,634.00
Prior Period Funding Adjustment	0.126	1,844,296.00
Basic Discretionary Local Effort	0.748	10,948,678.00
Critical Operating Needs	0.250	3,659,317.00

Capital Projects Funds	Millages	Taxes Levied
Nonvoted Tax:		
Local Capital Improvements	1.500	21,955,904.00
Total	7.841	$ 114,770,829.00

Note 14 - FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Note 14 - FLORIDA RETIREMENT SYSTEM (Continued)

Note 14 - FLORIDA RETIREMENT SYSTEM (Concluded)

Subsequent Event

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

Note 15 OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District and their eligible dependents are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy

Plan contribution requirements of the District and Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 77 retirees received other postemployment benefits. The District provided required contributions of $480,406 toward the annual OPEB cost, net of retiree contributions totaling $677,579, which represents 1.0% of covered payroll.

Note 15 - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Description	Amount
Normal Cost (Service Cost for One Year)	$ 364,373
Amortization of Unfunded Actuarial Accrued Liability	442,821
Annual Required Contribution	807,194

Note 15 - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Concluded)

Funded Status and Funding Progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and retirement, 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

Note 16 - CONSTRUCTION CONTRACT COMMITMENTS (Concluded)

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

Note 17 - CONSORTIUMS

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

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

Note 18 - RISK MANAGEMENT PROGRAMS

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

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 35,560.00	$ 35,560.46	$ 29,150.91	$ (6,409.55)

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

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 Percent of Covered Payroll [(b-a)/c]
7/1/2007	$ 0	$ 4,981,327	$ (4,981,327)	0.00%	$ 93,787,311	5.31%
1/1/2010	0	6,042,832	(6,042,832)	0.00%	64,612,372	9.35%

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

Note 1 - BUDGETARY BASIS OF ACCOUNTING

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

Note 2 - SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

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

- The amortization period was changed from 28 remaining years to 15 years to reflect the short period of time during which the majority of benefits are expected to be paid. Most benefits will be paid prior to age 65.

- The number of enrolled retirees was expected to increase from 72 in July 1, 2007, to 77 as of January 1, 2010. Retiree medical coverage was expected to be 35%; however, this has changed to 20%. Previously, it was assumed that no retiree would continue coverage beyond age 65, however, now, it is assumed that 95% of the retirees will discontinue coverage at age 65.

- Additionally, the number of active employees was not expected to decrease in the previous valuation; however, the number decreased from 2,471 (1,828 of which had medical coverage) to 2,366 (1,652 of which had medical coverage) in the current valuation.

- In the previous valuation, the cost of coverage was expected to increase from $605 to $746 per employee per month; however, the cost actually increased to $776 per employee per month for the 2009-10 fiscal year. At the same time, the premium payments required from retirees increased from 10% to 12.7%.

-

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

	Catalog of Federal Domestic	Pass Through	Amount of

Federal Grantor/Pass-Through Grantor/Program	Catalog of Federal Domestic Assistance	Pass Through	Amount of

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD

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

Notes:

(1) Basis of Presentation: The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2010-11 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been prepared.

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

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

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

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

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

We have audited the financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Charlotte County District School Board (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Charlotte County District School Board and
Superintendent
Port Charlotte, Florida

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate management letter dated November 15, 2011.

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

November 15, 2011
Sarasota, Florida

CHARLOTTE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANAGEMENT LETTER
(Concluded)

- Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

- Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessmen