

**BRADFORD 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 SUPERINTENDENTS

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

	<u>District No.</u>
Jessie J. Moore, Jr.	1
Stacey Shuford Creighton, Vice Chair to 11-17-08, Chair from 11-18-08	2
Randy Jones, Chair to 11-17-08	3
Vivian O. Chappell	4
David B. Smith, Jr., Vice Chair from 11-18-08	5
Harry M. Hatcher, III, Superintendent to 11-17-08	
Dr. Beth Moore, Superintendent from 11-18-08	

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 Micah E. Rodgers, CPA, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Amanda B. Fazio, CPA, 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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## 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

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies as summarized below. However, these significant deficiencies are not considered 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.

#### SIGNIFICANT DEFICIENCIES

Finding No. 1: Improvements are needed in District procedures to ensure that certain account balances, transactions, and note disclosures are properly reported on the financial statements.

Finding No. 2: The District did not maintain adequate detailed subsidiary records for certain capital assets.

Finding No. 3: Weaknesses were noted in internal control over cash collections at the District office, including an inadequate separation of duties and ineffective use of and accountability for prenumbered receipts.

Finding No. 4: The District did not have procedures in place to ensure payments were made properly in accordance with lease documents.

#### ADDITIONAL MATTERS

Finding No. 5: Procedural enhancements could be made to sufficiently and appropriately evidence employee work time.

Finding No. 6: The District's disaster recovery plan could be enhanced.

Finding No. 7: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 8: The District had not classified its data according to sensitivity or level of significance, and had not maintained documentation of user access authorization.

Finding No. 9: The District had not implemented an IT security awareness training program.

Finding No. 10: The District did not have a formal program change methodology that documented the program change process and did not restrict programmers from accessing or updating production programs and data.

Finding No. 11: Certain IT security controls related to logging and 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, Title I, Special Education Cluster, ARRA – Child Nutrition Discretionary Grants Limited Availability, 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 compliance and internal control findings as summarized below.

Federal Awards Finding No. 1: The District had not implemented controls to ensure the accountability and safeguarding of the District's tangible personal property, the lack of which impacts the major Federal programs.

Federal Awards Finding No. 2: District records indicated that two teachers did not meet the highly qualified requirements to work in the Title I program.

Federal Awards Finding No. 3: The District did not obtain the required semiannual certifications for five employees whose salaries were charged to the Special Education program.

Federal Awards Finding No. 4: The District should enhance procedures to ensure that grantor approval is obtained, when required, before purchasing capital equipment from Federal funds.

#### Audit Objectives and Scope

Our audit objectives were to determine whether the Bradford 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. 2009-153.

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*.



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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 Bradford 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 64 percent of the assets and 74 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Bradford County Education Foundation, Inc., a 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 the discretely presented component unit, are based on the reports of 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 Bradford County 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 Bradford County District School Board as of June 30, 2009, and the respective changes in financial position 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 Bradford 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 12) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 44 through 46) 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 9, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District of Bradford County, Florida's (District) discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2009, based on currently known facts, decisions, or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the five elected members of the School Board (Board). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

### FINANCIAL HIGHLIGHTS

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

- The District's financial status was relatively stable for the 2008-09 fiscal year. Over the course of the year, total net assets increased from \$31 million to \$31.4 million.
- General revenues accounted for \$29.1 million, or 90 percent, of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3.2 million, or 10 percent of total revenues of \$32.3 million.
- The District had \$31.9 million in expenses. Only \$3.2 million was offset by program specific charges for services, grants, or contributions. General revenues, primarily ad valorem taxes and Florida Education Finance Program revenues, were used to provide for the remaining expenses of these programs.
- The General Fund (the primary operating fund), reported on a current financial resources basis, ended the year with a fund balance of \$1.8 million, which is comparable to the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes various parts, such as the MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Districtwide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the Districtwide statements. Included in the fund statements are *governmental funds* that tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending. Also, *fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

	Districtwide Statements	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus

The table above summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**Districtwide Statements**

The Districtwide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District’s nonfiduciary assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Districtwide statements report the District’s *net assets* and how they have changed. Net assets – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the Districtwide financial statements, the District’s activities are divided into two categories:

- *Governmental activities* – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of the activities.
- *Component unit* – The District has one separate legal entity in this report, the Bradford County Education Foundation, Inc. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like Federal grants).

The District has the following types of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Districtwide statements, the District provides additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, including the Foster Shi – Mary Anne Smith Scholarship Trust, the Richard Jockel Scholarship Trust, the Marissa Sellars Scholarship Trust, and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Districtwide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District’s net assets were \$31.4 million at June 30, 2009. The largest portion of the District’s net assets (97.5 percent) reflects its investment in capital assets (i.e., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities. An additional portion of the District’s net assets (\$1.8 million) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net assets of governmental activities represent the accumulated results of all past years’ operations.

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:

	<b>Net Assets, End of Year</b>	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 4,669,722	\$ 5,385,665
Capital Assets	31,298,788	31,576,988
<b>Total Assets</b>	<b>35,968,510</b>	<b>36,962,653</b>
Long-Term Liabilities	3,335,829	4,551,635
Other Liabilities	1,250,139	1,407,145
<b>Total Liabilities</b>	<b>4,585,968</b>	<b>5,958,780</b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	30,604,483	29,679,740
Restricted	1,813,147	2,404,239
Unrestricted Deficit	(1,035,088)	(1,080,106)
<b>Total Net Assets</b>	<b>\$ 31,382,542</b>	<b>\$ 31,003,873</b>

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 Activities	
	6-30-09	6-30-08
<b>Program Revenues:</b>		
Charges for Services	\$ 1,013,757	\$ 988,949
Operating Grants and Contributions	1,685,103	1,709,090
Capital Grants and Contributions	458,830	1,332,490
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	5,327,624	5,020,841
Property Taxes, Levied for Capital Projects	1,586,078	1,785,233
Grants and Contributions Not Restricted to Specific Programs	21,936,669	23,931,991
Unrestricted Investment Earnings	14,678	191,624
Miscellaneous	243,033	335,713
<b>Total Revenues</b>	<b>32,265,772</b>	<b>35,295,931</b>
<b>Functions/Program Expenses:</b>		
Instruction	17,075,787	18,550,035
Pupil Personnel Services	1,208,943	1,222,499
Instructional Media Services	342,220	424,386
Instruction and Curriculum Development Services	796,557	747,461
Instructional Staff Training Services	104,975	162,873
Instruction Related Technology	77,816	103,851
Board of Education	298,059	287,465
General Administration	320,757	227,717
School Administration	2,399,940	2,560,813
Facilities Acquisition and Construction	315	1,723
Fiscal Services	303,759	300,592
Food Services	1,541,080	1,659,821
Central Services	258,057	427,082
Pupil Transportation Services	1,742,959	1,844,900
Operation of Plant	2,604,830	2,857,426
Maintenance of Plant	887,544	1,139,781
Administrative Technology Services	301,591	216,257
Community Services	124,921	108,462
Interest on Long-Term Debt	83,181	83,517
Unallocated Depreciation Expense	1,413,812	1,402,078
<b>Total Functions/Program Expenses</b>	<b>31,887,103</b>	<b>34,328,739</b>
<b>Increase in Net Assets</b>	<b>\$ 378,669</b>	<b>\$ 967,192</b>

The results of this year’s operations for the District as a whole are reported in the statement of activities. The table above takes the information from that statement and rearranges it slightly so the reader can readily see the total revenues for the year.

As reported in the statement of activities, the cost of all of the governmental activities this year was \$31.9 million. The amount that the taxpayers ultimately financed for governmental activities was \$28.8 million because some of the funding was provided by those who benefited from the programs (\$1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2.1 million). The remaining “public benefit” portion of the governmental activities was financed with \$6.9 million in ad valorem taxes, \$21.9 million in grants and contributions not restricted to specific programs, and \$0.3 million with other general revenues.

In the following table, the District has presented the cost of each of its four largest functions – instruction, instructional support services, district/school administration, and operation and maintenance of plant, as well as each

program’s net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

	Governmental Activities	
	Year Ended June 30, 2009	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 17,075,787	\$ 16,774,657
Instructional Support Services	2,530,511	2,530,511
District/School Administration	3,882,163	3,882,163
Operation and Maintenance of Plant	3,492,374	3,190,748
<b>Total Expenses</b>	<b>\$ 26,980,835</b>	<b>\$ 26,378,079</b>

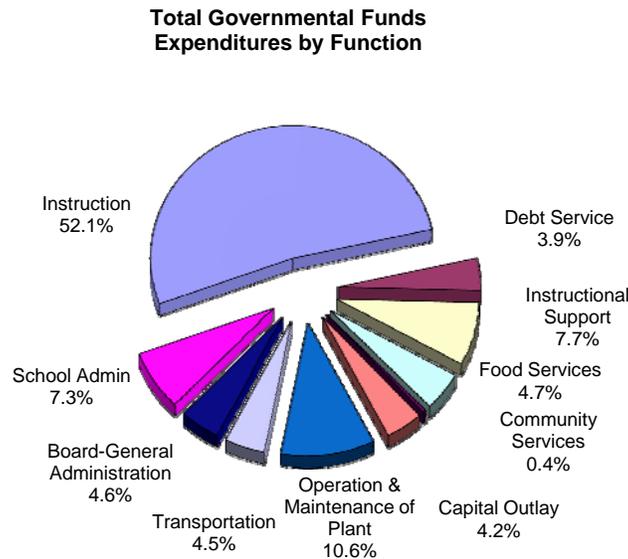
The dependence upon tax revenues for governmental activities is apparent. Over 97.8 percent of these top four activities are supported through taxes and other general revenues. General revenues support 90.1 percent of all governmental activities. The community, as a whole, is by far the primary support for the District’s students.

Significant changes from the prior year results in a decrease in grants and contributions not restricted to specific programs that can be attributed to the \$2.2 million decrease in the Florida Education Finance Program (FEFP) funding resulting from the decline in Full-Time Equivalent (FTE) of 156 students coupled with the decrease of approximately \$190 in the base student allocation rate from the 2007-08 fiscal year to the 2008-09 fiscal year.

The decrease in funding required a corresponding decrease in expenses. Student related functions such as instruction, school administration, food services, and transportation were decreased due to the decrease in number of students served. Other areas such as operation and maintenance of plant were also scaled back to conserve funds for instructional needs. Overall, expenses were decreased by \$2.4 million from the 2007-08 fiscal year.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As was noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at the funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may also give the reader more insight into the District's overall financial health. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



The General Fund is the chief operating fund of the District. At the end of the current year, unreserved fund balance is \$1.4 million while the total fund balance is \$1.8 million. The total fund balance remained stable in comparison to the prior year.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for Federal grant programs, and allowed expenditures are specified by grant agreements. Since the revenues in this Fund are equal to amounts expended, there is no ending fund balance.

The Capital Projects – Public Education Capital Outlay (PECO) Fund is used to account for the financial resources generated by the Legislative appropriation of gross receipts taxes for the District. These funds are restricted for the acquisition, construction, and maintenance of capital assets. At fiscal year-end, the fund balance was \$391,617, which was \$144,916 less than the prior year. PECO Fund expenditures vary from year to year based on the construction projects that are approved by the Board and authorized by the Florida Department of Education.

The Capital Projects – Local Capital Improvement Fund (LCIF) is used to account for the financial resources generated by the local capital improvement tax levy, and the proceeds are used for capital outlay needs. The ending fund balance was \$1,180,385, which was \$444,300 less than the prior fiscal year. Comparing the 2007-08 and 2008-09 fiscal years, the local capital improvements tax levy millage decreased from 2.000 to 1.750, resulting in less revenue. During the 2008-09 fiscal year, the District used LCIF funds primarily to pay off a capital lease payable in the amount of \$1.2 million. Construction projects are approved by the Board and advertised each year during the budget process.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The State of Florida has been, and continues to be, in a budget crisis. Since the majority of the funding for Bradford County Schools came from the State, and the District continued to experience declining enrollment, the Board is also in a budget crisis. During the 2008-09 fiscal year, the District lost approximately \$2.2 million in FEFP funding due to budget cuts from the State and declining enrollment. Over the course of the year, the District revises its budget and brings amendments to the Board on a monthly basis. These amendments are needed to adjust to actual revenues received and direct resources where needed. The Board approves the final amendment to the budget after year-end. The major changes in the General Fund budget, other than those discussed previously, were due to the receipt of grants.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

<b>Capital Assets at Year End</b>		
	2009	2008
Land	\$ 489,359	\$ 489,359
Construction in Progress		3,633,322
Improvements Other Than Buildings	3,222,739	3,020,320
Buildings and Fixed Equipment	44,515,329	40,434,002
Furniture, Fixtures, and Equipment	6,724,375	6,224,797
Motor Vehicles	4,328,348	4,126,393
Property Under Capital Lease	151,465	151,465
Audit Visual Materials and Computer Software	1,372,518	1,339,105
Less Accumulated Depreciation	<u>(29,505,345)</u>	<u>(27,841,775)</u>
<b>Total Capital Assets</b>	<b><u>\$ 31,298,788</u></b>	<b><u>\$ 31,576,988</u></b>

As shown in the table above, at June 30, 2009, the District had \$31.3 million invested in a broad range of capital assets, including land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; property under capital lease; and audio visual materials and computer software. This amount represents a net decrease (including additions, deletions, and depreciation) of \$0.3 million from last year.

**Long-Term Debt**

As shown in the table below, at the end of the 2008-09 fiscal year, the District had \$0.7 million in debt outstanding compared to \$1.9 million last year, a decrease of \$1.2 million mainly due to the District paying off the capital lease for the Lawtey Community School portable replacement project.

<b>Long-Term Debt Outstanding at Year-End</b>		
	2009	2008
Bonds Payable	\$ 595,000	\$ 675,000
Obligations Under Capital Leases	<u>99,304</u>	<u>1,222,249</u>
<b>Total</b>	<b><u>\$ 694,304</u></b>	<b><u>\$ 1,897,249</u></b>

## OTHER MATTERS OF SIGNIFICANCE

### State Support

The State of Florida, by constitution, does not have a state personal income tax, and therefore, the State operates primarily using sales, gasoline, and corporate income taxes. The level of tourism in the State heavily influences the amount collected. State funds to school districts are provided primarily by legislative appropriations from the State's general revenue funds under FEFP. Significant changes in the anticipated amount of revenues collected by the State could directly impact the revenue allocation to the District.

The focus of the State finance program bases financial support for education upon the individual student participating in a particular educational program rather than upon the number of teachers or classrooms. FEFP funds are primarily generated by multiplying the number of FTE in each of the educational programs by cost factors to obtain weighted FTE. Weighted FTE is then multiplied by a base student allocation and by a district cost differential in the major calculation to determine the State and local FEFP funds. Program cost factors are determined by the Legislature and represent relative cost differences among the FEFP programs.

As noted previously, the State of Florida is currently in a budget crisis. The District's 2009-10 fiscal year FEFP budget is lower than the previous year's budget by \$960,878 (without the America Recovery and Reinvestment Act State Stabilization Funds, the amount would be over \$2 million). In addition, the District continues to experience declining enrollment.

### Local Support

Local revenue for school support is derived almost entirely from property taxes. Each of the 67 school districts in the State is a countywide district.

Each school board participating in the State allocation of funds for current operation of schools must levy the millage set for its required local effort taxes. The Legislature set the amount of \$7.8 billion as required local effort for the 2009-10 fiscal year. Each district's share of the State's total required local effort is determined by a statutory procedure that is initiated by certification of the property tax valuations of each district by the Department of Revenue. This certification occurs no later than two working days prior to July 19. Not later than July 19, the Commissioner of Education certifies each district's required local effort millage rate. These rates are primarily determined by dividing the dollar amount of required local effort by 95 percent of the aggregated taxable value for school purposes of all districts. Certifications vary due to the use of assessment ratios designed to equalize the effect on FEFP of differing levels of property appraisals in the counties. Millage rates are also adjusted because required local effort may not exceed 90 percent of a district's total FEFP entitlement.

School boards may set discretionary tax levies of the following types:

- **Capital Outlay and Maintenance.** Schools boards may levy up to 1.5 mills for construction, renovation, remodeling, maintenance, and repair; for the purchase, lease, or lease-purchase of equipment directly related to the delivery of student instruction; for the rental or lease of existing buildings, or space within existing buildings, originally constructed or used for purposes other than education, for conversion to use as educational facilities; for the opening day collection for the library media center of a new school; for the purchase, lease-purchase, or lease of school buses; and for the servicing of payments related to certain facilities-related debt. For Bradford County Schools in the 2009-10 fiscal year, only 1.25 mills were levied.
- **Current Operations.** The Legislature set the maximum discretionary current operation millage for the 2009-10 fiscal year at 0.748 mills. For Bradford County Schools in the 2008-09 fiscal year, the full millage of 0.748 mills was levied.

- Critical Needs Operating or Capital Outlay. Effective for the 2009-10 fiscal year, the State Legislature allowed school boards to levy an additional 0.25 mills for either critical operating needs or critical capital outlay needs. The Bradford County School Board elected to levy 0.25 mills for critical operating needs in the 2009-10 budget year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. 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 Finance Director, Bradford County District School Board, 501 W. Washington Street, Starke, FL 32091.

**BASIC FINANCIAL STATEMENTS**

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,321,594.05	\$ 40,045.00
Investments	28,753.54	131,287.00
Accounts Receivable	206,602.77	
Due from Fiscal Agent	76,094.57	
Due from Other Agencies	871,691.02	
Inventories	164,986.65	
Capital Assets:		
Nondepreciable Capital Assets	489,359.10	
Depreciable Capital Assets, Net	<u>30,809,428.78</u>	
<b>TOTAL ASSETS</b>	<u><u>\$ 35,968,510.48</u></u>	<u><u>\$ 171,332.00</u></u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings	\$ 486,616.58	\$
Accounts Payable	437,339.52	
Deferred Revenue	326,183.00	
Long-Term Liabilities:		
Portion Due Within One Year	406,049.88	
Portion Due After One Year	<u>2,929,779.26</u>	
<b>Total Liabilities</b>	<u>4,585,968.24</u>	
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	30,604,483.48	
Restricted for:		
State Categorical Programs	126,161.38	
Debt Service	16,184.83	
Capital Projects	1,632,308.70	
Other Purposes	38,491.98	
Unrestricted (Deficit)	<u>(1,035,088.13)</u>	<u>171,332.00</u>
<b>Total Net Assets</b>	<u>31,382,542.24</u>	<u>171,332.00</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 35,968,510.48</u></u>	<u><u>\$ 171,332.00</u></u>

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

**BRADFORD 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	\$ 17,075,786.58	\$ 301,130.08	\$	\$
Pupil Personnel Services	1,208,942.76			
Instructional Media Services	342,220.05			
Instruction and Curriculum Development Services	796,556.96			
Instructional Staff Training Services	104,974.77			
Instruction Related Technology	77,816.15			
Board of Education	298,058.96			
General Administration	320,757.08			
School Administration	2,399,939.72			
Facilities Acquisition and Construction	314.64			45,780.28
Fiscal Services	303,759.36			
Food Services	1,541,080.06	536,454.65	958,824.69	
Central Services	258,056.98			
Pupil Transportation Services	1,742,959.31		726,278.00	
Operation of Plant	2,604,829.89			
Maintenance of Plant	887,544.41			301,626.00
Administrative Technology Services	301,591.15			
Community Services	124,920.74	176,172.85		
Interest on Long-Term Debt	83,181.22			111,423.50
Unallocated Depreciation Expense	1,413,812.28			
<b>Total Primary Government</b>	<b>\$ 31,887,103.07</b>	<b>\$ 1,013,757.58</b>	<b>\$ 1,685,102.69</b>	<b>\$ 458,829.78</b>
<b>Component Unit</b>				
Bradford County Education Foundation, Inc.	\$ 47,885.00	\$ 0.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Capital Projects
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Miscellaneous

**Total General Revenues**

**Change in Net Assets**

Net Assets - Beginning

**Net Assets - Ending**

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (16,774,656.50)	\$
(1,208,942.76)	
(342,220.05)	
(796,556.96)	
(104,974.77)	
(77,816.15)	
(298,058.96)	
(320,757.08)	
(2,399,939.72)	
45,465.64	
(303,759.36)	
(45,800.72)	
(258,056.98)	
(1,016,681.31)	
(2,604,829.89)	
(585,918.41)	
(301,591.15)	
51,252.11	
28,242.28	
(1,413,812.28)	
(28,729,413.02)	
	(47,885.00)
5,327,623.77	
1,586,078.05	
21,936,669.28	48,479.00
14,677.96	6,538.00
243,032.79	
29,108,081.85	55,017.00
378,668.83	7,132.00
31,003,873.41	164,200.00
\$ 31,382,542.24	\$ 171,332.00

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,024,581.93	\$
Investments	12,448.32	
Accounts Receivable	92,440.91	
Due from Fiscal Agent	76,094.57	
Due from Other Funds	206,152.71	
Due from Other Agencies	171,522.80	34,529.69
Inventories	111,804.83	
	<b>\$ 2,695,046.07</b>	<b>\$ 34,529.69</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Payroll Deductions and Withholdings	\$ 486,616.58	\$
Accounts Payable	437,339.52	
Due to Other Funds		34,529.69
Deferred Revenue		
	<b>923,956.10</b>	<b>34,529.69</b>
Fund Balances:		
Reserved for State Categorical Programs	126,161.38	
Reserved for Encumbrances	65,819.93	
Reserved for Inventories	111,804.83	
Reserved for Self-Insurance	38,491.98	
Reserved for Debt Service		
Unreserved:		
General Fund	1,428,811.85	
Capital Projects Funds		
	<b>1,771,089.97</b>	<b>34,529.69</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,695,046.07</b>	<b>\$ 34,529.69</b>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 189,991.31	\$ 1,041,175.08	\$ 65,845.73	\$ 3,321,594.05
	103,047.35	16,305.22	28,753.54
		11,114.51	206,602.77
			76,094.57
527,809.00	36,162.31	101,667.22	206,152.71
		53,181.82	871,691.02
<u>717,800.31</u>	<u>1,180,384.74</u>	<u>248,114.50</u>	<u>4,875,875.31</u>
\$	\$	\$	\$ 486,616.58
			437,339.52
326,183.00		171,623.02	206,152.71
<u>326,183.00</u>		<u>171,623.02</u>	<u>326,183.00</u>
			1,456,291.81
			126,161.38
664.00	228,869.55		295,353.48
			111,804.83
			38,491.98
		16,184.83	16,184.83
390,953.31	951,515.19	60,306.65	1,428,811.85
<u>391,617.31</u>	<u>1,180,384.74</u>	<u>76,491.48</u>	<u>1,402,775.15</u>
<u>717,800.31</u>	<u>1,180,384.74</u>	<u>248,114.50</u>	<u>4,875,875.31</u>

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

**Total Fund Balances - Governmental Funds** \$ 3,419,583.50

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. 31,298,787.88

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Obligations Under Capital Lease	\$ 99,304.40	
Bonds Payable	595,000.00	
Compensated Absences Payable	2,575,800.74	
Other Postemployment Benefits Payable	65,724.00	(3,335,829.14)

**Total Net Assets - Governmental Activities** \$ 31,382,542.24

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

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**BRADFORD 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 - ARRA Economic Stimulus Fund
<b>Revenues</b>		
Intergovernmental:		
Federal Direct	\$ 62,313.14	\$
Federal Through State and Local	235,234.66	34,529.69
State	19,446,036.18	
Local:		
Taxes	5,327,623.77	
Charges for Services - Food Service		
Miscellaneous	717,210.61	
<b>Total Revenues</b>	<b>25,788,418.36</b>	<b>34,529.69</b>
<b>Expenditures</b>		
Current - Education:		
Instruction	14,899,926.28	
Pupil Personnel Services	1,084,559.34	
Instructional Media Services	341,594.10	
Instruction and Curriculum Development Services	518,655.39	
Instructional Staff Training Services	19,309.85	
Instruction Related Technology	77,816.15	
Board of Education	298,058.96	
General Administration	296,861.44	
School Administration	2,398,955.41	
Facilities Acquisition and Construction	314.64	
Fiscal Services	303,759.36	
Food Services	20,016.48	
Central Services	258,056.98	
Pupil Transportation Services	1,449,277.29	
Operation of Plant	2,604,829.89	
Maintenance of Plant	887,544.41	
Administrative Technology Services	301,591.15	
Community Services	124,890.48	
Fixed Capital Outlay:		
Facilities Acquisition and Construction	71,411.32	
Other Capital Outlay	96,218.55	34,529.69
Debt Service:		
Principal		
Interest and Fiscal Charges		
<b>Total Expenditures</b>	<b>26,053,647.47</b>	<b>34,529.69</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(265,229.11)</b>	
<b>Other Financing Sources (Uses)</b>		
Transfers In	324,374.00	
Insurance Loss Recoveries	6,100.11	
Transfers Out	(60,772.49)	
<b>Total Other Financing Sources (Uses)</b>	<b>269,701.62</b>	
<b>Net Change in Fund Balances</b>	<b>4,472.51</b>	
Fund Balances, Beginning	1,766,617.46	
<b>Fund Balances, Ending</b>	<b>\$ 1,771,089.97</b>	<b>\$ 0.00</b>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 225,363.49	\$ 287,676.63
		3,595,994.82	3,865,759.17
317,430.00		163,699.77	19,927,165.95
	1,586,078.05		6,913,701.82
		536,454.65	536,454.65
838.56	7,771.57	3,092.83	728,913.57
<u>318,268.56</u>	<u>1,593,849.62</u>	<u>4,524,605.56</u>	<u>32,259,671.79</u>
		2,188,721.45	17,088,647.73
		124,383.42	1,208,942.76
		625.95	342,220.05
		277,901.57	796,556.96
		85,664.92	104,974.77
			77,816.15
			298,058.96
		23,895.64	320,757.08
		984.31	2,399,939.72
			314.64
			303,759.36
		1,521,063.58	1,541,080.06
			258,056.98
		43,924.50	1,493,201.79
			2,604,829.89
			887,544.41
			301,591.15
		30.26	124,920.74
463,184.68	115,828.04		650,424.04
	425,449.88	178,747.29	734,945.41
	1,122,944.27	80,000.00	1,202,944.27
	49,553.44	33,627.78	83,181.22
<u>463,184.68</u>	<u>1,713,775.63</u>	<u>4,559,570.67</u>	<u>32,824,708.14</u>
<u>(144,916.12)</u>	<u>(119,926.01)</u>	<u>(34,965.11)</u>	<u>(565,036.35)</u>
		60,772.49	385,146.49
	(324,374.00)		6,100.11
			(385,146.49)
	(324,374.00)	60,772.49	6,100.11
(144,916.12)	(444,300.01)	25,807.38	(558,936.24)
536,533.43	1,624,684.75	50,684.10	3,978,519.74
<u>\$ 391,617.31</u>	<u>\$ 1,180,384.74</u>	<u>\$ 76,491.48</u>	<u>\$ 3,419,583.50</u>

**BRADFORD 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** \$ (558,936.24)

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 depreciation expense in excess of capital outlays in the current period. (278,200.35)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.

	\$ 1,122,944.27	
Obligations under Capital Leases	80,000.00	
Bonds Payable	80,000.00	
		1,202,944.27

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 paid in excess of the amount earned in the current period. 78,585.15

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in other postemployment benefits liability for the current fiscal year. (65,724.00)

**Change in Net Assets - Governmental Activities** \$ 378,668.83

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

**BRADFORD COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
June 30, 2009**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 15,084.43	\$ 367,904.24
Investments	11,531.89	83,000.76
Accounts Receivable		16,102.00
Inventory		12,486.00
	<u>\$ 26,616.32</u>	<u>\$ 479,493.00</u>
<b>LIABILITIES</b>		
Accounts Payable	\$	\$ 20,863.00
Internal Accounts Payable		458,630.00
		<u>\$ 479,493.00</u>
<b>NET ASSETS</b>		
Assets Held in Trust for Scholarships and Other Purposes	<u>26,616.32</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 26,616.32</u>	

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

**BRADFORD COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2009**

	Private-Purpose Trust Funds
<b>ADDITIONS</b>	
<b>Contributions:</b>	
Gifts, Grants, Endowments, and Bequests	\$ 1,500.00
<b>Investment Earnings:</b>	
Interest	29.07
<b>Total Additions</b>	1,529.07
<b>DEDUCTIONS</b>	
Scholarship Payments	2,000.00
<b>Change in Net Assets</b>	(470.93)
Net Assets - Beginning	27,087.25
<b>Net Assets - Ending</b>	\$ 26,616.32

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

**BRADFORD 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 Bradford County School District is considered part of the Florida system of public education. The governing body of the school district is the Bradford County District School Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Bradford 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 unit is included within the District School Board's reporting entity:

- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the Bradford County Education Foundation, Inc. (Foundation), which was formed to recognize student achievement, reward teacher development, and promote the Bradford County Public School System. Because of the nature and significance of its relationship with the School Board, the Foundation is considered a component unit. The Foundation's financial statements are on file in the District's administrative offices.

➤ **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 unit.

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 associated with the District's transportation department is allocated to the pupil transportation services function, while the remaining depreciation expense is not readily associated with a particular function and 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.

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the Legislative appropriations of gross receipts taxes for the District. These funds are to be used for educational capital outlay needs, including new construction; renovation and remodeling projects; maintenance; repairs; and site improvements.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction; renovation and remodeling projects; and debt service payments on capital leases for relocatable school buildings.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Funds – to account for resources of the Foster Shi – Mary Anne Smith, Richard Jockel, and Marissa Sellars Scholarship Trust Funds.
- 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.

➤ **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 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

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or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

➤ **Deposits and Investments**

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

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) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in 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 mutual funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

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

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. Transportation inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair

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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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	25 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	7 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets.

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.

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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.

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. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as deferred revenue until such time as an encumbrance authorization is received.

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 Bradford County Property Appraiser, and property taxes are collected by the Bradford County Tax Collector.

The School Board adopted the 2008 tax levy on September 8, 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 Bradford 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.

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➤ **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.

**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**

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); 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 or savings accounts 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, and does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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Investments, reported as cash equivalents, with a fair value of \$5,528.38 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity 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. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$107,101.36 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with 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. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$16,184.83 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by the SBA for managing credit risk for this account.

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**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	\$ 489,359.10	\$	\$	\$ 489,359.10
Construction in Progress	3,633,322.25		3,633,322.25	
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,122,681.35</b>		<b>3,633,322.25</b>	<b>489,359.10</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,020,319.86	202,419.51		3,222,739.37
Buildings and Fixed Equipment	40,434,001.60	4,081,326.78		44,515,328.38
Furniture, Fixtures, and Equipment	6,224,796.62	499,578.42		6,724,375.04
Motor Vehicles	4,126,393.54	201,954.00		4,328,347.54
Property Under Capital Lease	151,465.00			151,465.00
Audio Visual Materials and Computer Software	1,339,105.34	33,412.99		1,372,518.33
<b>Total Capital Assets Being Depreciated</b>	<b>55,296,081.96</b>	<b>5,018,691.70</b>		<b>60,314,773.66</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,449,344.57	103,903.64		1,553,248.21
Buildings and Fixed Equipment	17,703,410.86	847,504.92		18,550,915.78
Furniture, Fixtures, and Equipment	4,853,568.18	348,356.40		5,201,924.58
Motor Vehicles	2,812,787.50	249,757.52		3,062,545.02
Property Under Capital Lease	11,359.55	3,786.83		15,146.38
Audio Visual Materials and Computer Software	1,011,304.42	110,260.49		1,121,564.91
<b>Total Accumulated Depreciation</b>	<b>27,841,775.08</b>	<b>1,663,569.80</b>		<b>29,505,344.88</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>27,454,306.88</b>	<b>3,355,121.90</b>		<b>30,809,428.78</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 31,576,988.23</b>	<b>\$ 3,355,121.90</b>	<b>\$ 3,633,322.25</b>	<b>\$ 31,298,787.88</b>

The class of property under capital lease is presented in Note 5.

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Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Pupil Transportation Services	\$ 249,757.52
Unallocated	1,413,812.28
	<u>1,663,569.80</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,663,569.80</u>

**5. OBLIGATION UNDER CAPITAL LEASE**

The class and amount of property being acquired under capital lease is as follows:

	Asset Balance
Relocatable Classrooms	<u>\$ 151,465</u>

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follow:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 19,048.08	\$ 14,656.76	\$ 4,391.32
2011	19,048.08	15,366.79	3,681.29
2012	19,048.08	16,111.20	2,936.88
2013	19,048.08	16,891.69	2,156.39
2014	19,048.08	17,709.98	1,338.10
2015	19,048.08	18,567.98	480.10
	<u>\$ 114,288.48</u>	<u>\$ 99,304.40</u>	<u>\$ 14,984.08</u>
Total Minimum Lease Payments	<u>\$ 114,288.48</u>	<u>\$ 99,304.40</u>	<u>\$ 14,984.08</u>

The stated interest rate is 4.74 percent.

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**6. 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 2002B	\$ 575,000	3.500 - 5.375	2015
Series 2005A	20,000	5.0	2016
<b>Total Bonds Payable</b>	<b>\$ 595,000</b>		

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.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 115,600.00	\$ 85,000.00	\$ 30,600.00
2011	116,050.00	90,000.00	26,050.00
2012	116,212.50	95,000.00	21,212.50
2013	122,412.50	105,000.00	17,412.50
2014	116,787.50	105,000.00	11,787.50
2015-2016	121,412.50	115,000.00	6,412.50
<b>Total</b>	<b>\$ 708,475.00</b>	<b>\$ 595,000.00</b>	<b>\$ 113,475.00</b>

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**7. 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>					
Obligations Under Capital Leases	\$ 1,222,248.67	\$	\$ 1,122,944.27	\$ 99,304.40	\$ 14,656.76
Bonds Payable	675,000.00		80,000.00	595,000.00	85,000.00
Compensated Absences Payable	2,654,385.89	216,181.84	294,766.99	2,575,800.74	306,393.12
Other Postemployment Benefits Payable		164,968.00	99,244.00	65,724.00	
<b>Total Governmental Activities</b>	<u><u>\$ 4,551,634.56</u></u>	<u><u>\$ 381,149.84</u></u>	<u><u>\$ 1,596,955.26</u></u>	<u><u>\$ 3,335,829.14</u></u>	<u><u>\$ 406,049.88</u></u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund.

**8. 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	\$ 206,152.71	\$
Special Revenue:		
ARRA Economic Stimulus		34,529.69
Nonmajor Governmental		171,623.02
<b>Total</b>	<u><u>\$ 206,152.71</u></u>	<u><u>\$ 206,152.71</u></u>

The interfund amounts represent loans from the General Fund to cover expenditures incurred prior to reimbursement from outside sources. The loans are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 324,374.00	\$ 60,772.49
Capital Projects:		
Local Capital Improvement		324,374.00
Nonmajor Governmental	60,772.49	
<b>Total</b>	<u><u>\$ 385,146.49</u></u>	<u><u>\$ 385,146.49</u></u>

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Transfers from the General Fund to the nonmajor governmental funds were to subsidize food service operations, and transfers from the Capital Projects – Local Capital Improvement Fund to the General Fund were for property casualty insurance premiums.

**9. 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.

Because revenues of grants accounted for in the Special Revenue – ARRA Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Fund total \$42,174 at June 30, 2009.

**10. SCHEDULE OF STATE REVENUE SOURCES**

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

Source	Amount
Florida Education Finance Program	\$ 13,011,257.00
Categorical Educational Programs:	
Class Size Reduction	3,294,816.00
Transportation	726,278.00
Instructional Materials	317,291.00
School Recognition	224,022.00
Other	72,384.60
Workforce Development Program	928,562.00
Gross Receipts Tax (Public Education Capital Outlay)	317,430.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	141,399.78
Discretionary Lottery Funds	77,704.00
Food Service Supplement	24,390.00
Mobile Home License Tax	16,364.92
Miscellaneous	775,266.65
	775,266.65
 Total	 \$ 19,927,165.95

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

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**11. 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	5.131	\$ 4,833,936.16
Basic Discretionary Local Effort	0.498	469,167.72
Supplemental Discretionary Local Effort	0.250	235,525.96
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.750</u>	<u>1,648,682.25</u>
Total	<u><u>7.629</u></u>	<u><u>\$7,187,312.09</u></u>

**12. 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.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 72 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$205,231.74.

**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
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.  
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,717,527.88, \$1,774,670.10, and \$1,641,702.03, 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.

**13. OTHER POSTEMPLOYMENT BENEFITS**

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$1,579,577 at the

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July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits liability at the date of transition.

**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, former employees who retire from the District 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.** Contribution requirements of the District and plan members are established and may be amended by 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, 75 retirees received other postemployment benefits. The District provided required contributions of \$99,244 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees net of retiree contributions totaling \$306,815, which represents 2.9 percent of covered payroll.

**Annual OPEB Cost and Net OPEB Obligation.** The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB 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 other postemployment benefits:

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

Description	Amount
Normal Cost (service cost for one year)	\$ 73,621.00
Amortization of Unfunded Actuarial Accrued Liability	52,652.57
Interest on Normal Cost and Amortization	38,694.43
Annual Required Contribution	164,968.00
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	164,968.00
Annual OPEB Cost (Expense)	164,968.00
Contribution Toward the OPEB Cost	(99,244.00)
Increase in Net OPEB Obligation	65,724.00
Net OPEB Obligation, Beginning of Year	65,724.00
Net OPEB Obligation, End of Year	\$ 65,724.00

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 (year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08	\$		\$ 0
2008-09	164,968	60.2%	65,724

**Funded Status and Funding Progress.** As of June 30, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$1,579,577 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,579,577 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$10,753,493 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.7 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.

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

**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 June 30, 2008, used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included an annual healthcare cost trend rate of 10 percent initially for the 2008-09 fiscal year, reduced to an ultimate rate of 5 percent after 20 years. The unfunded actuarial accrued liability is being amortized on a closed basis as a level dollar amount over 30 years. The remaining amortization period at June 30, 2009, was 29 years.

**14. 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 Bradford County District School Board is a member of the North East Florida Educational Consortium (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 Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium 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 the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

The District participates in supplemental employee group insurance programs administered through the Consortium for life, dental, vision, disability, and accidental death and dismemberment. Premiums charged for these supplemental programs are based on each individual district's claim experience, and the programs operate as an individually-funded plan by each participating district, with shared administrative costs and a pooling of plan assets for working capital.

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

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

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program through the Consortium:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 31,434.47	\$ 306,126.60	\$ (312,403.86)	\$ 25,157.21
2008-09	25,157.21	274,463.00	(262,017.62)	37,602.59

Employee group health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

**15. LITIGATION**

The District is in dispute with the Bradford Education Association (BEA) regarding the District's payroll practices. The BEA alleges that the District improperly withheld a pay and step increase, contrary to its collective bargaining agreement with the School Board. The District is vigorously contesting this matter and believes an unfavorable outcome is unlikely; however, should it be unsuccessful, the District estimates a potential loss of \$841,000.

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**BRADFORD 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			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 65,000.00	\$ 62,313.14	\$ 62,313.14	\$
Federal Through State and Local	114,000.00	238,741.09	235,234.66	(3,506.43)
State	20,417,414.06	19,435,298.42	19,446,036.18	10,737.76
Local:				
Taxes	5,248,185.00	5,261,697.00	5,327,623.77	65,926.77
Miscellaneous	689,074.92	690,301.70	717,210.61	26,908.91
<b>Total Revenues</b>	<b>26,533,673.98</b>	<b>25,688,351.35</b>	<b>25,788,418.36</b>	<b>100,067.01</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	15,691,353.99	15,526,847.13	14,899,926.28	626,920.85
Pupil Personnel Services	1,058,956.83	1,084,559.34	1,084,559.34	
Instructional Media Services	359,140.92	341,594.10	341,594.10	
Instruction and Curriculum Development Services	509,779.31	518,655.39	518,655.39	
Instructional Staff Training Services	35,337.99	32,416.15	19,309.85	13,106.30
Instruction Related Technology	106,783.40	98,256.86	77,816.15	20,440.71
Board of Education	290,851.31	298,058.96	298,058.96	
General Administration	319,055.09	298,265.58	296,861.44	1,404.14
School Administration	2,281,725.67	2,398,955.41	2,398,955.41	
Facilities Acquisition and Construction	44,361.20	314.64	314.64	
Fiscal Services	326,406.16	319,378.30	303,759.36	15,618.94
Food Services	4,634.93	20,122.00	20,016.48	105.52
Central Services	369,583.81	277,483.93	258,056.98	19,426.95
Pupil Transportation Services	1,594,710.40	1,484,053.95	1,449,277.29	34,776.66
Operation of Plant	2,695,895.01	2,604,829.89	2,604,829.89	
Maintenance of Plant	1,102,338.83	1,018,722.64	887,544.41	131,178.23
Administrative Technology Services	337,435.18	318,160.27	301,591.15	16,569.12
Community Services	145,912.12	124,890.48	124,890.48	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		83,537.84	71,411.32	12,126.52
Other Capital Outlay		123,752.60	96,218.55	27,534.05
<b>Total Expenditures</b>	<b>27,274,262.15</b>	<b>26,972,855.46</b>	<b>26,053,647.47</b>	<b>919,207.99</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(740,588.17)</b>	<b>(1,284,504.11)</b>	<b>(265,229.11)</b>	<b>1,019,275.00</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In		324,374.00	324,374.00	
Insurance Loss Recoveries		2,611.33	6,100.11	(3,488.78)
Transfers Out		(60,772.49)	(60,772.49)	
<b>Total Other Financing Sources (Uses)</b>		<b>266,212.84</b>	<b>269,701.62</b>	<b>(3,488.78)</b>
<b>Net Change in Fund Balances</b>	<b>(740,588.17)</b>	<b>(1,018,291.27)</b>	<b>4,472.51</b>	<b>1,022,763.78</b>
Fund Balances, Beginning	1,766,617.46	1,766,617.46	1,766,617.46	
<b>Fund Balances, Ending</b>	<b>\$ 1,026,029.29</b>	<b>\$ 748,326.19</b>	<b>\$ 1,771,089.97</b>	<b>\$ 1,022,763.78</b>



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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
June 30, 2008	\$ 0	\$ 1,579,577	\$ 1,579,577	0.0%	\$ 10,753,493	14.7%

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**BRADFORD 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	\$ 193,890.82
National School Lunch Program	10.555	300	628,893.45
Summer Food Service Program for Children	10.559	323	14,191.10
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	62,929.63
<b>Total Child Nutrition Cluster</b>			<b>899,905.00</b>
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	34,529.69
<b>Total United States Department of Agriculture</b>			<b>934,434.69</b>
<b>United States General Services Administration:</b>			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	8,258.34
<b>United States Department of Education:</b>			
Direct:			
Federal Pell Grant Program	84.063	N/A	225,363.49
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	875,725.15
Special Education - Preschool Grants	84.173	267	26,649.00
Columbia County District School Board:			
Special Education - Grants to States	84.027	None	6,160.55
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	231.40
<b>Total Special Education Cluster</b>			<b>908,766.10</b>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	58,136.00
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,161,240.40
Career and Technical Education - Basic Grants to States	84.048	151	90,396.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	9,170.78
State Grants for Innovative Programs	84.298	113	1,167.56
Education Technology State Grants	84.318	121,122	8,119.11
Rural Education	84.358	110	81,087.61
Improving Teacher Quality State Grants	84.367	224	250,328.14
Putnam County District School Board:			
Twenty-First Century Community Learning Centers	84.287	None	10,922.12
Reading First State Grants	84.357	None	36,451.50
Early Reading First	84.359	None	10,592.14
Washington County District School Board:			
Reading First State Grants	84.357	None	1,200.00
Santa Fe College:			
Career and Technical Education - Basic Grants to States	84.048	None	44,937.41
<b>Total Indirect</b>			<b>2,672,514.87</b>
<b>Total United States Department of Education</b>			<b>2,897,878.36</b>
<b>United States Department of Health and Human Services:</b>			
Indirect:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	90,493.57
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(C)	None	134,468.55
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	62,313.14
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,127,846.65</b>

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

(2) Noncash Assistance.

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

(B) Donation of Federal Surplus Personal Property - Represents 23.3 percent of the original acquisition costs of the donated Federal surplus personal property obtained during the fiscal year.

(C) Hazard Mitigation Grant - Includes the Federally-paid portion of an emergency shelter generator totaling \$106,567.45.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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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 Bradford 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 Bradford County District School Board's financial statements. For the school internal funds, this report does not include the results of the 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 Bradford County Education Foundation, Inc., 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. We consider Financial Statement Finding Nos. 1 through 4, which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be significant deficiencies in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is a material weakness.

### **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 9, 2010



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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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 Bradford 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 some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 through 4.

### 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1, 3, and 4 to be significant deficiencies.

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. We did not consider any of the Federal Awards control deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be material weaknesses.

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 9, 2010

**BRADFORD 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)?	Yes
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)?	Yes
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); ARRA – Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

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

**FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCIES**

**Finding No. 1: Financial Reporting**

Our review of the District’s 2008-09 fiscal year annual financial report, provided for audit, disclosed that procedural improvements could be made for reporting certain accounts, transactions, and note disclosures in the financial statements. For example:

- The District is required to account for unexpended balances of categorical program funds and earmarked moneys by establishing a reserve for categorical programs amount that the District may only use for specific purposes in subsequent years. While the unreserved fund balance is designed to serve as a measure of net current financial resources available for general appropriation by the Board, District personnel inadvertently understated this account and overstated reserve for categorical programs by approximately \$600,000 each in the General Fund. It is important to accurately report the unreserved fund balance to help financial statement users understand the amount that can be used with the most flexibility for emergencies and unforeseen situations.
- Generally accepted accounting principles require that the basic financial statements include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to the District’s activity. However, the District inadvertently omitted the note disclosure regarding the amount and purpose of interfund transfers in and transfers out, totaling \$385,146.49 each. Properly prepared note disclosures of amounts and purposes for interfund transfers may properly inform financial statement users how the District used such resources.

We extended our audit procedures to determine the adjustments and corrections necessary, and the recommended changes were accepted by the District to properly report the account balances, transactions, and note disclosures in the financial statements. A similar finding was noted in our report No. 2009-153.

**Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy and completeness of the financial statements.**

**Finding No. 2: Capital Assets – Subsidiary Records**

As similarly noted in several previous audit reports, most recently in our report No. 2009-153, the District’s subsidiary records for capital assets continued to be inadequate. Accounting for capital assets should include the maintenance of control accounts for the various capital assets categories to be used as the basis for determining amounts to be reported in the District’s financial statements. Also, detailed subsidiary records should be established, regularly updated for changes, and periodically reconciled to the amounts reported for each capital asset category.

The District did not establish and maintain detailed subsidiary records for its buildings and fixed equipment and improvements other than buildings categories. To determine the balances reported in the financial statements for these categories at June 30, 2009, District personnel added the 2008-09 fiscal year capital outlay expenditures to the balances reported on the financial statements at June 30, 2008. While this procedure may fairly present balances in the District’s financial statements, it is not a substitute for establishing and maintaining an adequate record system to account for the District’s individual capital assets.

In addition, our review disclosed that the amounts reported in the notes to financial statements properly reflected changes in asset values for additions during the fiscal year for furniture, fixtures, and equipment and motor vehicles (tangible personal property), and audio visual materials and computer software, and the District had subsidiary records for these property items. However, District personnel did not properly update these records for all additions, deletions, and transfers. Further, we noted certain deletions per the subsidiary records that were not properly approved by the Board, including \$415,811.11 of furniture, fixtures, and equipment and \$121,505.75 of audio visual materials and computer software. As a result, significant differences existed between amounts reported in the notes to financial statements and asset balances in the District’s detailed subsidiary records at June 30, 2009, as follows:

Description	June 30, 2009 Balances		
	Per Note 4 to Financial Statements	Per Subsidiary Records	Differences
Furniture, Fixtures, and Equipment	\$ 6,724,375.04	\$ 4,287,268.32	\$ 2,437,106.72
Motor Vehicles	4,328,347.54	3,843,533.24	484,814.30
Audio Visual Materials and Computer Software	1,372,518.33	219,492.95	1,153,025.38
	<u>\$ 12,425,240.91</u>	<u>\$ 8,350,294.51</u>	<u>\$ 4,074,946.40</u>

Chapter 274, Florida Statutes, and Department of Financial Services Rule 69I-73, Florida Administrative Code, require that the District maintain adequate records of tangible personal property in its custody and that the property be inventoried annually, compared to the property records, and that all discrepancies be reconciled. Although District personnel conducted an annual inventory of tangible personal property at the cost centers, we noted that the results of the inventories were not properly reconciled with the property records, further contributing to the differences noted above. Effective controls over tangible personal property require that detailed property records be maintained, be regularly compared with existing assets, and be promptly updated for any changes in property ownership or location.

**Recommendation:** Detailed subsidiary records for all capital assets categories should be established and updated for current transactions in a timely manner. Results of annual physical inventories should be fully reconciled with the detailed subsidiary records. In addition, to ensure the accuracy and completeness of reported balances, District procedures should provide for periodic reconciliations of detailed subsidiary records for each capital assets category to its respective control account.

**Finding No. 3: Cash Collections**

The majority of the District’s revenue was received from State agencies and the Bradford County Tax Collector by the use of wire transfers or direct deposits into the Board’s depository accounts. Other revenues were received in the form of currency or checks at various District locations. We were able to verify most of the District’s revenue by

comparison to amounts reported to us by the remitting agencies. However, as similarly noted in previous audit reports, most recently in our report No. 2009-153, our review disclosed that internal controls over collections of cash and checks at the District office could be improved:

- One employee was responsible for opening the mail, writing receipts, preparing and making the deposits, and preparing the source documents used to post the accounting records. In these circumstances, one employee has control over the transaction process such that errors or misappropriations, should they occur, may not be detected in a timely manner.
- Although prenumbered receipts were used to evidence the receipt of cash collected at the District office, checks received directly or through the mail were not receipted. Additionally, a comparison of prenumbered receipts recorded with subsequent deposit documentation was not performed by someone independent of the cash collection process. Failure to maintain receipts for checks received and to perform independent comparisons of the collections submitted for deposit to the actual prenumbered receipts limits the effectiveness of the controls afforded by the use of the receipts.

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**Recommendation:** District personnel should implement procedural changes to strengthen controls over cash collections in the District office.

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**Finding No. 4: Debt Administration**

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On May 7, 2007, the Board entered into a capital lease financing arrangement to obtain funding, totaling \$1.7 million, for the acquisition and construction of modular classrooms for Lawtey Community School. In addition, the Board elected to retire the lease and on December 19, 2008, District personnel contacted the bank for a payoff amount. Subsequently, the balance was paid based on the statement received. However, we noted that the payoff amount exceeded the amount owed, as recorded on the payment amortization schedule, by \$103,047.35. After further review, we noted that the bank sent an incorrect payoff amount, due to a clerical error, resulting in an interest overcharge. While District personnel initially believed the payoff amount was too high, no follow-up efforts were made to clarify the payment. Subsequent to our inquiries, the District adjusted its June 30, 2009, financial statements, based on our recommended audit adjustments, to report a receivable and subsequently received a refund for this entire amount; however, because District procedures were not in place to verify loan payments and related interest charges, the District initially overpaid for the debt service costs.

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**Recommendation:** The District should implement procedures to ensure that it makes payments to retire debt consistent with the terms of the debt agreements.

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**ADDITIONAL MATTERS**

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**Finding No. 5: Time Records**

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As also noted in our report No. 2009-153, procedures could be improved to document employee work time. Contracted employees are paid on a payroll by exception basis in which employees receive their regular pay each period, unless leave is taken to reduce their salary. The payments are based on a payroll exception report that shows contracted employee leave taken, leave without pay dockage, and any other changes to regular salary payments, and hourly employee wages. At certain locations, employees maintain time sheets to document their arrival and departure times. In addition, the Board annually adopts salary schedules to set forth the compensation of District employees.

Our test of 25 time sheets disclosed that supervisory review and approval was not documented for 5 instructional timesheets and 2 noninstructional timesheets tested. We also noted that one of the employees listed on an unapproved timesheet was a coordinator who received compensation for teaching a part-time course for the Bradford-Union Area Vocational School; however, District records did not evidence supervisory review and approval for three of eight payments made during the fiscal year to the employee for the part-time instruction. Upon further review, we noted that the employee taught one of the courses during the same time that she received pay for duties for the coordinator position. In response to our inquiry, the coordinator indicated that additional time was worked in the coordinator position to cover the hours of the part-time instruction that occurred during the normal workday; however, District records could not be provided to evidence the actual hours worked at the coordinator position. While the employee received compensation for the coordinator duties and as a part-time instructor based on the Board-approved salary schedules, the salary schedules or other District records did not clearly evidence that the Board intended that the duties be performed concurrently. In addition, when work attendance is not timely evidenced and verified of record, the risk increases that employees may be incorrectly compensated.

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**Recommendation:** The District should enhance its payroll processing procedures to ensure that employee work time is appropriately documented, including supervisory review and approval of such time. In addition, the Board should clarify its intent regarding the compensation of employees who perform overlapping duties, such as the employee performing tasks as a coordinator and part-time instructor.

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#### **Finding No. 6: Information Technology – Disaster Recovery**

As noted in previous audits, most recently report No. 2009-153, the District could improve its information technology (IT) disaster recovery procedures. Our review disclosed that the District's disaster recovery plan did not contain the following necessary elements:

- The disaster recovery plan did not include consideration of such matters as the procedures for minimizing and containing damage, restoring telecommunications capability, and resuming the operation of critical systems. Without consideration of these elements, there is an increased risk of data loss in the event of a system failure.
- The disaster recovery plan also did not address procedures for minimizing the disruption to operations. Such a plan should indicate the conditions under which the back-up site will be used; identify the employees needed at the site, and their job responsibilities; identify the supplies needed; outline procedures for notification of the back-up site and employees; establish a job priority schedule; and include steps to be followed at the back-up site. When staff responsibilities in a disaster are not articulated, there is an increased risk that recovery during an emergency may be delayed.

District personnel indicated that, because of other priorities, the District did not timely update the disaster recovery plan.

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**Recommendation:** The District should enhance its disaster recovery plan to address procedures for minimizing the disruption of operations in the event of a disaster and make the plan available to key employees.

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**Finding No. 7: Information Technology – Written Policies and Procedures**


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

As similarly noted in our report No. 2009-153, the District lacked written policies and procedures for the following IT functions:

- Administering vendor-supplied identification codes (IDs), user IDs, administrative passwords, guest accounts, and security devices (such as firewalls and routers).
- Granting least privilege for service and application accounts.
- Defining system and database administration responsibilities.
- Prohibiting administrator rights on the workstations of end users.
- Resetting user passwords, including positive identification of the user.
- Defining termination procedures, including timely notification of terminations and reassignments and revoking the access privileges of former or transferred employees, consultants, and vendors.

Without written policies and procedures, the risk is increased that 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. 8: Information Technology – Application Access and Authorization Controls**


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Application access and authorization controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Key elements of a comprehensive plan for application access and authorization controls include data classification and access authorization documentation. Data owners are generally the managers of the programs supported by applications and are in the best position to classify data and determine access needs of users.

As similarly noted in our report No. 2009-153, the District had not classified data according to sensitivity or level of significance and had not maintained access authorization documentation. Maintaining access authorization documentation in a secure, centralized location ensures that appropriate staff can access the documentation when needed.

The lack of data classification and documentation of authorization for user access rights to data and application functions increases the risk of inappropriate access and unauthorized use, disclosure, or modification of data and IT resources.

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**Recommendation: The District should classify its data and maintain documentation of user access authorization.**

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**Finding No. 9: Information Technology – Security Awareness Training Program**


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A comprehensive security awareness training program apprises new users of, and reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District required employees to watch a video about e-mail usage and liability issues and to sign an agreement annually, the District had not implemented a comprehensive security awareness training program to facilitate all users' ongoing education and training on security responsibilities, including acceptable or prohibited methods for storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of sensitive or confidential information. A similar finding was noted in our report No. 2009-153. A comprehensive security awareness training program would decrease the risk that the District's IT resources could be unintentionally compromised by users while performing their assigned duties.

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**Recommendation:** The District should promote security awareness through a comprehensive training program to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

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**Finding No. 10: Information Technology – Program Change Controls**


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Effective controls over changes to application programs and systems are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include providing written evidence of the program change process, independent testing and approval of program changes, separating the responsibility for moving approved changes into the production environment from employees who developed the changes, and restricting programmers from accessing or updating production data.

As similarly noted in our report No. 2009-153, the District had not implemented a formal program change methodology that documented the program change process and had not restricted programmers from accessing or updating production programs and data. Without effective program change controls, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection.

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**Recommendation:** The District should implement a formal program change methodology that includes documenting the program change process. The District should also restrict programmers from accessing or updating production programs and data.

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**Finding No. 11: Information Technology – Logging and User Authentication**


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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As similarly noted in our report No. 2009-153, certain security controls related to logging and user authentication needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. 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.

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

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Federal Awards Finding No. 1:**

**Federal Agency:** United States Department of Education, United States Department of Agriculture and United States Department of Homeland Security

**Pass-Through Entity:** Florida Department of Education and Florida Division of Emergency Management

**Program:** Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); ARRA - Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); and Hazard Mitigation Grant (CFDA No. 97.039)

**Finding Type:** Noncompliance and Significant Deficiency

**Questioned Costs:** Not Applicable

**Equipment and Real Property Management.** The Financial Statement Findings include a finding (Finding No. 2) addressing the lack of controls over tangible personal property and audio visual materials and computer software. These control deficiencies include property record keeping deficiencies and a lack of controls over District property which impact the administration of the Federally-funded Title I, Special Education, ARRA - Child Nutrition Discretionary Grants Limited Availability, and Hazard Mitigation programs.

**Recommendation:** The District should implement procedures to improve accountability and safeguarding of the District’s property.

District Contact Person: Carol Clyatt, Director of Accountability and Special Programs, Barbara Johns, Director of Exceptional Student Education/Student Services, and Julee Tinsler, Director of Finance

**Federal Awards Finding No. 2:**

**Federal Agency:** United States Department of Education

**Pass-Through Entity:** Florida Department of Education

**Program:** Title I Grants to Local Educational Agencies (CFDA No. 84.010)

**Finding Type:** Noncompliance

**Questioned Costs:** Not Applicable

**Special Tests and Provisions – Highly Qualified Teachers.** In accordance with the *No Child Left Behind Act of 2001*, Public Law 107-110, Part A, Section 1119(a), a school district must ensure that any teacher who is hired to teach a core academic subject and who works in a program supported with Title I funds is highly qualified (HQ) as defined in Title 34, Section 200.56, Code of Federal Regulations. HQ teachers must hold at least a bachelor’s degree, must have a valid Florida teaching certificate, and must demonstrate a high level of subject area competency for each core academic subject assigned, generally through State testing or additional coursework. This requirement applies to teachers in Title I targeted assistance programs who teach a core academic subject and are paid with Title I funds and to all teachers who teach a core academic subject in a Title I schoolwide program school. Core academic subjects include English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography.

District records included a copy of a report of non-HQ teachers submitted to the Florida Department of Education, which indicated that certain teachers, who worked in the Title I program, were not HQ. Our tests of these teachers providing services in Title I schoolwide program schools disclosed two teachers were eligible to teach certain subjects, but were not HQ because they did not maintain Florida teaching certificates in the core academic areas they were teaching. District records indicated that the District attempted to hire HQ teachers by requiring applicants to possess the necessary qualifications required by Federal law, but not enough applicants responded to fill all positions. In addition, District personnel indicated that the District is using the North East Florida Educational Consortium and other resources to assist teachers in becoming HQ, and certain non-HQ teachers have been reassigned to non-Title I cost centers. Having HQ staff would enhance the District's ability to properly educate Title I students and contribute toward meeting the adequate yearly progress standards set by the United States Department of Education.

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**Recommendation:** The District should continue its efforts to ensure that all teachers hired to teach core academic subjects in Title I funded schools are highly qualified.

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District Contact Person: Carol Clyatt, Director of Accountability and Special Programs

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**Federal Awards Finding No. 3:**  
**Federal Agency:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Special Education Cluster (CFDA Nos. 84.027 and 84.173)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** Not Applicable

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**Allowable Costs/Cost Principles – Compensation of Personnel Services.** The United States Office of Management and Budget *Circular A-87* provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. Where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of the certification.

During the 2008-09 fiscal year, the District expended approximately \$909,000, from the Special Education program. Our test of supporting documentation for six employees paid from the Special Education program disclosed that the District did not maintain the required semiannual certifications for five employees working solely on program activities to support salary expenditures totaling \$91,464.93. Absent the required certifications, we performed additional audit procedures, including obtaining confirmations from applicable employees and interviewing supervisory personnel, and determined that the employees worked solely for the program and salaries were properly paid. Without the required semiannual certifications, the risk increases that services may not be performed in accordance with grant terms.

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**Recommendation:** The District should enhance procedures to ensure that required documentation is maintained to support salaries charged to Federal programs.

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District Contact Person: Barbara Johns, Director of Exceptional Student Education/Student Services

**Federal Awards Finding No. 4:**  
**Federal Agency: United States Department of Education**  
**Pass-Through Entity: Florida Department of Education**  
**Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)**  
**Finding Type: Noncompliance and Significant Deficiency**  
**Questioned Costs: \$11,489.96**

**Activities Allowed or Unallowed.** United States Office of Management and Budget *Circular A-87* provides that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. The Florida Department of Education’s publication, *Project Application and Amendment Procedures for Federal and State Programs*, requires that the District provide descriptions in the project application of the type of items and equipment to be purchased with project funds. The District’s approved project application for the Title I School Improvement Initiative program did not include any amount requested for capital equipment. However, contrary to the approved project application, the District used the Title I program funds to purchase capital equipment, costing \$11,489.96 and District records did not evidence that the grantor (Florida Department of Education) provided approval for the purchase. Although District personnel classified the expenditure as furniture, fixtures, and equipment, and considered it allowable under the terms of the grant, absent grantor approval, the capital expenditure of \$11,489.96 is unallowable and represents questioned costs.

**Recommendation:** The District should document to the grantor (Florida Department of Education) the allowability of the questioned costs, totaling \$11,489.96, or the moneys should be restored to the program. Also, the District should enhance procedures to ensure that grantor approval is obtained, when required, before purchasing capital equipment from Federal funds.

District Contact Person: Carol Clyatt, Director of Accountability and Special Programs

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-153.

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

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

*BRADFORD 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
2007-134 (1) 2008-111 (1) 2009-153 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Special Education Cluster (CFDA Nos. 84.027 and 84.173) / Equipment and Real Property Management	There were property record keeping deficiencies and a lack of controls over District property.	Not corrected	The District continues to work with the subsidiary ledgers and to establish procedures to reconcile these accounts with current activity.
2009-153 (2)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Special Tests and Provisions - Highly Qualified Teachers	There were four teachers, who were not highly qualified, providing services in Title I schoolwide program schools.	Not corrected	The District continues its efforts to ensure that all teachers hired to teach core academic subjects in Title I funded schools are highly qualified

EXHIBIT A  
MANAGEMENT'S RESPONSE



**BRADFORD COUNTY SCHOOL DISTRICT**

501 W. WASHINGTON STREET • STARKE, FLORIDA 32091  
(904) 966-6800 • FAX 966-6030

*Dr. Beth Moore, Superintendent*

*School Board of  
Bradford County, Florida*

*District 1, Jesse Moore, Jr.  
District 2, Stacey Creighton  
District 3, Romy Jones  
District 4, Vivian Chappell  
District 5, David Smith*

March 1, 2010

Mr. David W. Martin, CPA  
State of Florida Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin,

The following is Bradford County School District's response to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2009. This response is being done pursuant to Section 11.45(7)(d), Florida Statutes which requires a written statement of explanation concerning all of the audit findings, as well as our actual or proposed corrective action.

**Finding 1: Financial Reporting**

We acknowledge that an oversight was made by the Finance Department in the miscaterogization of fund balance and not including a note disclosure regarding interfund transfers. Both of these issues will be reviewed very carefully in the future.

**Finding 2: Capital Assets – Subsidiary Records**

District personnel recognize the importance of establishing the remaining subsidiary records for buildings and fixed equipments and improvements other than buildings. As we were told in the exit conference, improvements have occurred during the fiscal year under audit. We continue to work with the subsidiary ledgers and establish procedures to reconcile these accounts with the current activity.

**Finding 3: Cash Collections**

We acknowledge that our internal controls over cash collections can be made stronger. With the limited number of employees in the Finance Department it is extremely difficult to segregate duties, we, however, will continue to examine the situation in order to improve our internal controls.

**Finding 4: Debt Administration**

We acknowledge that an overpayment on a lease/purchase payout was made. Future debt payments will be more closely monitored to ensure that this does not happen again in the future.

*~ Quality Education For All Students ~*

Finding 5: Time Records

We continue to make progress with this issue. Requests have been made to all cost centers to provide the Payroll Department with the necessary documentation needed for the auditors which include copies of leave forms and supervisory signed time and attendance forms.

Finding 6-11: Information Technology Comments

We acknowledge that we need to develop policies, procedures and communication pathways with respect to our information technology programs. Our MIS Director is fully apprised of what needs to be done, and is working diligently toward those goals. However, it should be noted, that with the limited number of employees in the MIS Department it is extremely difficult to work on these goals while maintaining the day to day operations of the District.

Federal Awards Finding 1: Equipment and Real Property Management

This finding relates to finding 2 above. Please see above.

Federal Awards Finding 2: Highly Qualified Teachers

We acknowledge that we understand that all core teachers hired at Title I funding schools must be highly qualified. Our Human Resources Director is working with all non-highly qualified teachers to encourage them to do whatever is necessary to become highly qualified.

Federal Awards Finding 3: Allowed Costs/Cost Principles – Compensation of Personnel

We acknowledge that not all of the semi-annual certifications were completed. Our new ESE Director understands the certification requirements and will strive to make sure that they are done in the future.

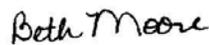
Federal Awards Finding 4: Activities Allowed or Unallowed

Our new Title I Director is taking a very active role in making sure that budget amendments for grants are being done.

We would like to thank the Auditor General for the consideration that was given to Bradford County during this year's audit. We would also like to complement the staff of the Auditor General for their helpfulness and technical advice.

If you have any questions about our responses, please feel free to contact Julee Tinsler, our Finance Director, at (904) 966-6025.

Sincerely,



Beth Moore  
Superintendent  
Bradford County Schools