REPORT NO. 2010-183
MARCH 2010

BROWARD COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Eleanor Sobel to 11-4-08 (1)	1
Ann Murray from 11-18-08 (1)	1
Beverly Ann Gallagher	2
Maureen S. Dinnen, Vice Chair to 11-17-08, Chair from 11-18-08	3
Stephanie A. Kraft, Esq.	4
Benjamin J. Williams	5
Phyllis C. Hope	6
Robert D. Parks, Ed.D.	7
Jennifer Gottlieb, Vice Chair from 11-18-08	At-Large
Robin Bartleman, Chair to 11-17-08	At-Large

James F. Notter, Superintendent

Note: (1) Position remained vacant from 11-5-08 to 11-17-08

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 Ilene R. Gayle, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was George W. Allbritton, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

BROWARD COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

PAGE NO.

EXECUTIVE SUMMARY i

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 3

BASIC FINANCIAL STATEMENTS 10

- Statement of Net Assets 10
- Statement of Activities 12
- Balance Sheet – Governmental Funds 14
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 16
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 18
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
- Statement of Net Assets – Proprietary Funds 21
- Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 22
- Statement of Cash Flows – Proprietary Funds 23
- Statement of Fiduciary Assets and Liabilities – Fiduciary Funds 24
- Notes to Financial Statements 25

OTHER REQUIRED SUPPLEMENTARY INFORMATION

- Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds Budget and Actual (Budgetary Basis) – General Fund 68
- Schedule of Funding Progress – Other Postemployment Benefits Plan 69
- Notes to the Required Supplementary Information 70

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 71

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* 73

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* 75

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 77

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS 91

EXHIBIT A – MANAGEMENT'S RESPONSE 92

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District had not developed adequate policies for communicating and reporting known or suspected fraud to the appropriate authorities.

Finding No. 2: The District's audit committee bylaws needed updating to clarify the terms and election process for the chairman and vice chairman.

Finding No. 3: Controls over the issuance of student diplomas could be enhanced.

Finding No. 4: Improvements could be made in collection procedures at certain decentralized locations.

Finding No. 5: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

Finding No. 6: The District could enhance its monitoring of overtime payments.

Finding No. 7: Payroll processing procedures could be improved to reduce salary overpayments.

Finding No. 8: District records did not evidence a determination of the most cost effective means of acquiring the expertise necessary to maintain the new enterprise resource planning system.

Finding No. 9: Enhancements needed to be made in controls over purchasing card usage.

Finding No. 10: Improvements could be made in controls over tangible personal property to ensure that annual physical counts are performed, personal property items are timely tagged, and property dispositions documented as to the manner of disposition.

Finding No. 11: The District did not always timely correct deficiencies noted in annual facility inspections, and the corrective action status noted on work orders and inspection reports was not always consistent and timely resolved.

Finding No. 12: The District had not implemented a formal ongoing information technology (IT) security awareness training program.

Finding No. 13: The District had not removed the IT access privileges of certain former employees in a timely manner.

Finding No. 14: The District's management of IT access privileges needed improvement.

Finding No. 15: The District's security controls related to user authentication, software management, and protection of portable storage media needed improvement.

Finding No. 16: The District lacked written policies and procedures for certain IT functions.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Student Financial Assistance Cluster, Fund for Improvement of Education, Career and Technical Education, and Disaster Grants – Public Assistance 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 did not make a determination of the portion of a $60.3 million transfer of workers' compensation insurance refunds, from an internal service fund to the General Fund, that should have been credited to Federal programs.

Federal Awards Finding No. 2: Improvements could be made to ensure the validity of expenditures charged to the Child Nutrition Cluster programs.

Federal Awards Finding No. 3: The District had not established procedures to ensure the timely return of unclaimed Title IV Federal Student Aid funds to the applicable grantor, contrary to Federal regulations.

Other Matters: The Federal Bureau of Investigation is conducting a government corruption probe, and the District is conducting additional internal investigations, regarding certain District activities.

Audit Objectives and Scope

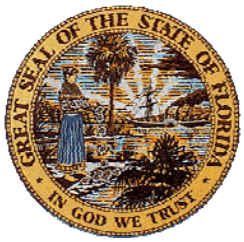
Our audit objectives were to determine whether the Broward County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- **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 previous audit reports.**

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward 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 9 percent of the assets and 15 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. 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 aggregate discretely presented component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Broward County District School Board as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Broward 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 9) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 68 through 70) 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 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the School Board of Broward County, Florida (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. The narrative 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, and identify individual fund issues or concerns. As with other sections of this financial report, the information contained within this narrative 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 footnotes and other required supplemental information.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The District's financial status, as reflected in ***total net assets***, decreased by $142.7 million, or 7.8 percent, to $1.68 billion as of June 30, 2009, from $1.82 billion as of June 30, 2008. The decrease in total net assets reflects primarily decreases in current and other assets of $356.2 million, offset by an increase in capital assets of $216.1 million. The investment made in capital assets and the net debt issued was used for new schools, replacement schools, and numerous major expansion and renovation projects to meet the planned needs for facility growth and improvement.
- ***General revenues*** accounted for $2.40 billion, or 92.6 percent, of all revenues, a decrease of $140.3 million, or 5.5 percent, from $2.54 billion for the prior year. The decrease in general revenue was principally the result of decrease in ad valorem taxes of $34.2 million due to the elimination of debt service millage since the District no longer had any General Obligation Bonds Issues (GOBI), and a decrease of $129.6 million of funding from the Florida Education Finance Program (FEFP).
- The District had $2.7 billion in ***expenses*** related to programs, a decrease of $2.5 million, or 0.1 percent, from the prior year.
- The District's ***debt*** (Bonds Payable, Certificates of Participation and Capital Leases), excluding unamortized premiums, increased by $61.5 million, or 3.0 percent, to $2.09 billion from $2.03 billion in the prior year. The increase was principally due to the issuance of $134.0 million in Certificates of Participation (COP), offset by scheduled debt repayments.

Governmental Funds Financial Statements

- The overall ***General Fund balance*** (the primary operating fund) decreased $30.9 million, or 26.7 percent, to $85.0 million from $115.9 million in the prior year. Expenditures and other financing uses exceeded revenues and other financing sources principally due to a cut in the FEFP funding by the State. The General Fund balance is comprised of $7.4 million in committed funds that are reserved for specific purposes and uncommitted/unreserved funds of $77.6 million that can be used at the discretion of the District. On June 30, 2008, the reserved fund balance for the General Fund was $29.2 million and the unreserved fund balance was $86.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's Annual Financial Report (AFR) includes a series of basic financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Assets and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The governmental fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the governmental fund financial statements focus on major funds rather than fund types. The proprietary fund statements offer short-term and long-term financial information about the activities the District operates like businesses, such as printing services and self-insurance programs. The remaining statements, the Fiduciary Funds Statements, provide financial information for those activities in which the District acts solely as a trustee or agent for the benefit of others. The accompanying notes provide essential information that may not be readily available on the face of the basic financial statements. Consequently, these notes form an integral part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements incorporate governmental and business-type activities, as well as its non-fiduciary component units. They contain various adjustment, elimination and reclassification entries, such as the recording of depreciation, the recognition of other revenues, and the recognition of long-term liabilities. The government-wide financial statements are designed to provide the readers with a view of the District as a whole. While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities, and use the economic resources measurement focus and the accrual basis of accounting similar to the accounting used by most private-sector companies, matching the financial impact of long-term financial decisions to the period in which the expense or revenue is more properly attributed. In short, the financial impact of long-term decisions is promptly recorded as the transaction occurs, as opposed to recording it when paid. A good example of this is the recording of compensated absences, such as vacation and sick leave. In the fund financial statements, vacation and sick leave are expensed when used, not when accrued, with the unused hours accumulating over time. Consequently, the reader of the AFR would never see the potential financial impact the accumulated leave would have on the District's financial health. In the government-wide financial statements, vacation and sick leave are expensed when accrued, allowing the reader to see the full financial impact.

The Statement of Net Assets combines and/or consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Statement of Net Assets also provides information about the nature and amounts of investment of resources and obligations to creditors.

The Statement of Activities provides information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the District's financial health or financial position. A reader can think of the District's net asset as the difference between what the District owns (assets) and what the District owes (liabilities). Over time, the increase or decrease in the District's net assets, as reported in the Statement of Activities, is another indicator of whether its financial health is improving or deteriorating. The difference between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. To fully assess the financial health of any government entity, the reader must also consider other non-financial factors such as the quality of education provided, the safety of the schools, fluctuations in the local economy, state-mandated program administrative changes, and the physical condition of the District's capital assets.

FUND FINANCIAL STATEMENTS

Fund financial statements are generally presented on a modified accrual basis, using the current financial resources measurement focus, and report expenditures rather than expenses as used in the government-wide financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Certificates of Participation Series Debt Service Fund, the Local Millage Capital Improvement Fund, the American Recovery and Reinvestment Act (ARRA) Economic Stimulus Capital Projects Fund, and the Other Capital Improvement Fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

Governmental Funds. Most of the District's activities are reported in governmental funds which describe how money flows into and out of those funds and the balances remaining at year-end that are available for spending in future periods. These funds are reported using an accounting method called "modified accrual accounting," which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and services. Governmental fund information helps determine what financial resources will be available in the near future to support educational programs. The relationship (or difference) between

governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds. Proprietary funds are used to report the activities in the District's Internal Service Funds. Internal Service Funds are used to record the financing of goods or services provided by one department to another on a cost reimbursement basis, such as general and automobile liability self-insurance, workers compensation self-insurance, and other services.

Proprietary funds are reported in the same way as government-wide financial statements. The Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Proprietary funds are included in the governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary funds is much like that used for Proprietary funds. The District's Fiduciary fund consists of an Agency fund used for its student activity funds.

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

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The analysis below focuses on the Net Assets (Table 1) and Changes in Net Assets (Table 2) of the District's governmental activities.

Government-Wide Financial Analysis. The District's net assets were $1.7 billion at June 30, 2009, representing a $142.7 million, or 7.8 percent, decrease from June 30, 2008. By far, the largest portion of the District's net assets (88.6 percent) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not liquid or 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 cannot be used to liquidate these liabilities.

Table 1

Summary Statement of Net Assets
(in thousands)

	As of June 30, 2009	As of June 30, 2008	Increase (Decrease)
Current and other assets	$ 1,317,113	$ 1,673,353	$ (356,240)
Non-current assets	15,964	15,367	597
Capital assets	3,162,693	2,946,548	216,145
Total assets	4,495,770	4,635,268	(139,498)
Current and other liabilities	572,615	595,698	(23,083)
Long-term liabilities	2,241,935	2,215,618	26,317
Total liabilities	2,814,550	2,811,316	3,234
Net assets:			
Invested in capital assets, net of related debt	1,489,609	1,467,281	22,328
Restricted	282,453	397,157	(114,704)
Unrestricted	(90,842)	(40,486)	(50,356)
Total net assets	$ 1,681,220	$ 1,823,952	$ (142,732)

The second largest portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. Of the $282.5 million in restricted net assets, $263.6 million are restricted for capital projects. The District will use these resources to complete construction in progress and perform property maintenance. Unrestricted net assets were a deficit of $90.8 million at June 30, 2009,

representing a $50.4 million decrease from June 30, 2008. The negative unrestricted net assets represent an obligation against the District's future tax resources. The decrease was primarily due to a $30.9 million decrease in the General Fund Balance at June 30, 2009, a decrease of $11.2 million in FEMA hurricane recoveries, and a $10.9 million increase in Other Post Employment Benefits (OPEB) liability. The General Fund balance decreased as a result of decreased funding from the State.

As shown in Table 2, governmental activities decreased the District's net assets by $142.7 million from the prior year. Key highlights are as follows:

Table 2

Summary Statement of Changes in Net Assets
(in thousands)

	For the Fiscal Years Ended June 30, 2009	For the Fiscal Years Ended June 30, 2008	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 49,808	$ 50,984	$ (1,176)
Operating grants and contributions	93,765	90,974	2,791
Capital grants and contributions	47,632	128,579	(80,947)
Total program revenues	191,205	270,537	(79,332)
General revenues:			
Ad valorem taxes	1,258,970	1,293,158	(34,188)
Florida Education Finance Program (FEFP)	486,418	616,014	(129,596)
Other general revenues	651,712	628,268	23,444
Total general revenues	2,397,100	2,537,440	(140,340)
Total revenues	2,588,305	2,807,977	(219,672)
Functions/Program Expenses:			
Instructional services	1,560,193	1,535,029	25,164
Instructional support services	273,871	269,177	4,694
Operation and maintenance of plant	256,189	256,039	150
School administration	135,904	134,685	1,219
Food services	93,573	94,192	(619)
Facilities acquisition and construction	122,444	151,433	(28,989)
General administration	100,152	111,333	(11,181)
Pupil transportation services	91,096	92,070	(974)
Interest expense	97,615	89,550	8,065
Total expenses	2,731,037	2,733,508	(2,471)
Change in net assets	$ (142,732)	$ 74,469	$ (217,201)
Ending net assets	$ 1,681,220	$ 1,823,952	$ (142,732)

- Program revenues for Capital Grants and Contributions for this year were $47.6 million, a decrease of $80.9 million from the prior year. The decrease was primarily a result of a reduction in funding in facilities acquisition and construction from the Public Education Capital Outlay (PECO) and Classrooms for Kids programs of $80.1 million.
- Ad valorem taxes (property taxes) decreased by $34.2 million principally as a result of the elimination of debt service millage.
- Florida Education Finance Program (FEFP) revenue decreased $129.6 million due to a growing State effort to increase local funding and therefore reducing State FEFP funding. Additionally, the decrease is due to mid-year funding cuts by the State.
- Other general revenues increased $23.4 million primarily due to increase in funding received to hire additional teachers to reduce class size offset by the State's categorical funding reductions.
- Total expenses decreased $2.5 million, or 0.1 percent.

Financial Analysis of the Government's Funds. As was noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at the funds aids in determining if the District is being accountable for the resources taxpayers and others provide, and may also give more insight into the District's overall financial health. In particular, the 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.

Governmental Funds. As of June 30, 2009, the District's governmental funds reported a combined fund balance of $810.0 million, which is a decrease of $274.8 million, or 25.3 percent from the prior year. The decrease is principally due to decreases of $30.9 million in the General Fund as a result of cuts in the FEFP funding by the State of Florida, $34.0 million in PECO fund balance due to reduced funding by the State, $170.7 million in Other Capital Projects and ARRA Economic Stimulus Capital Projects primarily due to a decrease in the amount of COPs issued partially offset by ARRA Building America Bonds proceeds, $26.1 million in Capital Improvement primarily due to a decrease of 0.25 mills for capital projects ad valorem taxes, $10.5 million in Debt Service fund balance primarily due to the elimination of debt service ad valorem taxes, and $5.1 million in Capital Outlay and Debt Service because there was no Capital Outlay Bond issuance in fiscal year 2009 by the State.

Proprietary Funds. As of June 30, 2009, the District's Proprietary funds (internal service funds) reported net assets of $4.5 million, a decrease of $11.9 million from the prior year. Self insurance fund balance for workers' compensation and general liability was used to offset a significant decrease in General Fund revenue due to cuts in funding from the State.

General Fund Budgetary Highlights. Over the course of the year, the District revises its budget to deal with unexpected changes in revenues and expenditures. A table showing the District's original and final budget amounts compared with actual amounts is provided in Table 3.

Table 3

Summary Schedule of Revenues, Expenditures and Changes in Fund Balance of General Fund
Budget and Actual (Budgetary Basis)
(in thousands)

	Budget			Variance Positive
	Original	Final	Actual	(Negative)
Revenues:				
Local sources:				
Ad valorem taxes	$ 958,080	$ 958,818	$ 961,492	$ 2,674
Other	68,126	66,914	67,332	418
Total local sources	1,026,206	1,025,732	1,028,824	3,092
State sources:				
Florida Education Finance Program	522,981	486,869	486,418	(451)
Other	371,997	371,686	371,654	(32)
Total state sources	894,978	858,555	858,072	(483)
Federal sources	8,882	10,463	10,620	157
Total revenues	1,930,066	1,894,750	1,897,516	2,766
Other financing sources	74,466	182,833	182,833	-
Total amounts available for appropriations	2,004,532	2,077,583	2,080,349	2,766
Expenditures:				
Instructional services	1,326,445	1,335,822	1,333,656	2,166
Instructional support services	199,649	210,792	201,381	9,411
Pupil transportation services	66,331	88,680	86,916	1,764
Operation and maintenance of plant	269,289	248,243	247,702	541
School administration	138,016	132,246	131,921	325
General administration	104,299	113,205	107,445	5,760
Capital outlay	687	646	-	646
Interest	3,436	3,436	2,300	1,136
Total expenditures	2,108,152	2,133,070	2,111,321	21,749
Other financing uses	5,310	5,550	2,335	3,215
Total charges against appropriations	2,113,462	2,138,620	2,113,656	24,964
Net change in fund balances	$ (108,930)	$ (61,037)	$ (33,307)	$ 27,730

Final budgeted revenues and other financing sources compared to the original budget, in aggregate, increased by $73.1 million. This increase was primarily due to additional $108.4 million in other financing sources to offset the shortfall in the state's sales tax and other state revenue sources that was passed on to the school districts.

The final budgeted expenditures and other financing uses increased $25.2 million from the original budget primarily as a result of increases in salary and fringe expenses, insurance, and utilities. Budget cuts, purchasing and hiring freezes, and other cost saving measures were implemented during the year to offset the actual impact of these increases.

Actual expenditures and other financing uses were $25.0 million less than the final budget. This was primarily due to budget cuts, purchasing and hiring freezes, and other cost saving measures that were implemented during the year to contend with the mid-year budget cuts from the State.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As shown in Table 4, at June 30, 2009, the District had $3.2 billion invested in a broad range of capital assets. This amount represents a net increase (including additions, deletions and depreciation) of $216.1 million from last year. This year's capital additions include two partial replacement schools and several classroom addition projects that were completed in fiscal year 2009. In addition, there were numerous replacement kitchen/cafeterias and media center projects as well as major expansions and renovations.

Table 4

Capital Assets at Year-End
(in thousands)

	2009	2008	Increase (Decrease)
Land	$ 227,979	$ 226,577	$ 1,402
Land improvements	332,600	276,803	55,797
Construction in progress	229,858	247,079	(17,221)
Broadcast license intangible	3,600	3,600	-
Buildings and fixed equipment	3,189,396	2,903,306	286,090
Furniture, fixtures and equipment	365,101	401,537	(36,436)
Assets under capital leases	138,454	121,482	16,972
Audio visual	840	935	(95)
Computer software	23,467	26,192	(2,725)
Motor vehicles	76,757	76,360	397
Less: accumulated depreciation	(1,425,359)	(1,337,323)	(88,036)
Total capital assets, net	$ 3,162,693	$ 2,946,548	$ 216,145

For the 2010 fiscal year, the District expects to scale back construction due to a significant reduction in revenues. The District will continue to complete construction in progress but has cancelled plans to add capacity and do major replacements or remodel/renovation projects. See Note 6 to the Basic Financial Statements for more information.

Debt Administration. As shown in Table 5, below**,** at the end of this year the District had $2.09 billion in debt outstanding compared to $2.03 billion last year, an increase of $61.5 million, or 3.0 percent, from the prior year. The increase was the result of the net issuance of $77.5 million in COPs, offset by net reductions of $9.5 million in capital leases and $6.5 million in Capital Outlay Bond Issues (COBI). See Notes 9 through 12 of the Notes to the Basic Financial Statements for more information.

Table 5

Debt Outstanding at Year-End
(in thousands)

	2009	2008	Increase (Decrease)
Capital outlay bond issues	$ 71,050	$ 77,545	$ (6,495)
Certificates of participation	1,980,665	1,903,179	77,486
Capital leases	39,204	48,744	(9,540)
Total	$ 2,090,919	$ 2,029,468	$ 61,451

The District's GOBI debt and COPs are rated Aa3 and A1 by Moody's Investors Service and AA minus and A plus by Standard and Poor's Corporation and AA minus and A plus by Fitch Investor Service, respectively, among the highest ratings held by a Florida School District.

Other obligations include accrued vacation pay and sick leave and other postemployment benefits. See Notes 14 and 15 of the Notes to the Basic Financial Statements for more information.

ECONOMIC FACTORS

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. State funds to school districts are provided primarily by legislative appropriations from the State's general revenue funds under the FEFP. The level of tourism in the State heavily influences the amount collected. Any change in the anticipated amount of revenues collected by the State would directly impact the revenue allocation to the District. In addition, funds from other sources are appropriated to school districts as categorical funds to offset student transportation and technology. Included in these funds are a limited number of recurring and non-recurring (one-time) grants from both the State and Federal governments.

REQUESTS FOR INFORMATION

The District's financial statements are designed to present users (participants, investors, creditors, and regulatory agencies) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report should be addressed to the Director of Accounting and Financial Reporting Department, The School Board of Broward County, Florida, 1643 North Harrison Parkway, Building H, Sunrise, Florida, 33323.

BASIC FINANCIAL STATEMENTS

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF NET ASSETS
June 30, 2009
(in thousands)

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
ASSETS:		
Current assets:		
Cash, cash equivalents and investments	$ 1,190,635	$ 11,454
Due from other governmental agencies	77,833	372
Due from other schools	-	671
Accrued interest receivable	684	-
Inventories	19,990	413
Prepaids	16,705	6,591
Other assets	11,266	2,440
Total current assets	1,317,113	21,941
Non-current assets:		
Deferred charges	15,964	-
Capital assets:		
Non-depreciable	562,492	-
Depreciable, net	2,600,201	10,836
Total assets	4,495,770	32,777
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	150,932	5,938
Accrued payroll taxes and withholding	22,778	738
Matured debt and interest payable	101,973	-
Due to other governmental agencies	7,470	147
Due to other schools	-	349
Retainage payable	25,467	-
Tax anticipation notes payable	125,000	-
Unearned revenue	9,659	310
Tax arbitrage rebate payable	3,447	-
Management fees payable	-	133
Obligations under capital leases	14,031	-
Liability for compensated absences	17,192	-
Debt, net of premiums and discounts	70,489	1,025
Estimated liability for self-insurance risks	24,177	-
Other liabilities	-	453
Total current liabilities	572,615	9,093
Non-current liabilities:		
Obligations under capital leases	25,173	-
Liability for compensated absences	146,427	-
Debt, net of premiums and discounts	2,025,092	4,106
Estimated liability for self-insurance risks	27,620	-
Other post-employment benefits obligations	17,623	-
Other liabilities	-	6
Total liabilities	2,814,550	13,205
NET ASSETS:		
Invested in capital assets, net of related debt	1,489,609	9,906
Restricted for:		
State required carryover programs	2,882	-
Debt service	13,324	-
Capital projects	263,636	-
Special revenue	2,611	-
Scholarships	-	7,234
Unrestricted (deficit)	(90,842)	2,432
Total net assets	$ 1,681,220	$ 19,572

The accompanying notes to the basic financial statements are an integral part of this Statement.

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THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(in thousands)

		PROGRAM REVENUES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PROGRAM EXPENSES AND REVENUES:			
PRIMARY GOVERNMENT:			
Instructional services	$ 1,560,193	$ 20,576	$ -
Instructional support services	273,871	-	-
Pupil transportation services	91,096	1,338	34,300
Operation and maintenance of plant	256,189	-	-
School administration	135,904	-	-
General administration	100,152	-	-
Food services	93,573	27,894	59,465
Facilities acquisition and construction	122,444	-	-
Interest expense	97,615	-	-
Total governmental activities	$ 2,731,037	$ 49,808	$ 93,765
COMPONENT UNITS:			
Component units	$ 88,022	$ 3,175	$ 4,889
Total component units	$ 88,022	$ 3,175	$ 4,889

GENERAL REVENUES:
Ad valorem taxes levied for:
General purposes
Debt service
Capital outlays
Grants and contributions not restricted to specific programs:
Florida education finance program
Other
Other unrestricted federal sources
Other unrestricted state sources
Other unrestricted local sources
Unrestricted investment earnings
Total general revenues

Change in net assets

Total net assets, beginning of year

Total net assets, end of year

The accompanying notes to the basic financial statements are an integral part of this Statement.

(1) This amount excludes the depreciation that is included in the direct expenses of the various programs

PROGRAM REVENUES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
$ -	$ (1,539,617)	$ -
-	(273,871)	-
-	(55,458)	-
-	(256,189)	-
-	(135,904)	-
-	(100,152)	-
-	(6,214)	-
37,599	(84,845)	-
10,033	(87,582)	-
$ 47,632	(2,539,832)	-
$ 4,136	-	(75,822)
$ 4,136	-	(75,822)
	961,492	-
	210	-
	297,268	-
	486,418	-
	-	12,277
	183,247	1,551
	338,170	58,559
	93,170	5,433
	37,125	332
	2,397,100	78,152
	(142,732)	2,330
	1,823,952	17,242
	$ 1,681,220	$ 19,572

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
(in thousands)

	GENERAL FUND	COP SERIES DEBT SERVICE FUND	LOCAL MILLAGE CAPITAL IMPROVEMENT FUND
ASSETS:			
Equity in pooled cash and investments	$ 306,585	$ 1	$ 173,746
Cash and cash equivalents	-	-	-
Cash and investments with trustees	-	106,250	-
Total cash, cash equivalents and investments	306,585	106,251	173,746
Due from other governmental agencies	5,516	-	844
Due from other funds	18,280	-	-
Accrued interest receivable	260	-	220
Inventories	18,270	-	-
Prepaids	1,131	-	-
Other assets	5,135	-	675
Total assets	$ 355,177	$ 106,251	$ 175,485
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenditures	$ 104,574	$ 7	$ 10,468
Accrued payroll taxes and withholdings	22,778	-	-
Matured debt and interest payable	3,490	98,244	-
Due to other governmental agencies	7,469	-	-
Due to other funds	-	-	-
Tax anticipation notes payable	125,000	-	-
Deferred revenue	-	-	495
Retainage payable	-	-	5,121
Tax arbitrage payable	-	-	-
Liability for compensated absences	6,909	-	-
Total liabilities	270,220	98,251	16,084
Fund balances:			
Reserved for:			
Encumbrances	2,365	-	93,148
Retirement of long-term debt	-	8,000	-
Student enrichment programs	2,103	-	-
State required carryover programs	2,882	-	-
Unreserved:			
Undesignated:			
Reported in the General Fund	77,607	-	-
Reported in the Capital Funds	-	-	66,253
Reported in the Special Revenue Funds	-	-	-
Total fund balance	84,957	8,000	159,401
Total liabilities and fund balance	$ 355,177	$ 106,251	$ 175,485

The accompanying notes to the basic financial statements are an integral part of this Statement.

ARRA ECONOMIC STIMULUS CAPITAL PROJECT FUNDS	OTHER CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ 48,619	$ 25,418	$ 554,369
-	-	5	5
112,167	378,298	-	596,715
112,167	426,917	25,423	1,151,089
-	2,274	68,960	77,594
-	-	-	18,280
-	64	15	559
-	-	1,699	19,969
-	-	-	1,131
-	4,020	283	10,113
$ 112,167	$ 433,275	$ 96,380	$ 1,278,735
$ -	$ 32,040	$ 3,670	$ 150,759
-	-	-	22,778
-	-	-	101,734
-	-	1	7,470
1,182	(1,182)	18,280	18,280
-	-	-	125,000
-	-	9,659	10,154
-	19,107	1,239	25,467
-	63	-	63
-	-	100	7,009
1,182	50,028	32,949	468,714
15,637	172,898	13,619	297,667
-	-	1,953	9,953
-	-	-	2,103
-	-	-	2,882
-	-	-	77,607
95,348	210,349	47,003	418,953
-	-	856	856
110,985	383,247	63,431	810,021
$ 112,167	$ 433,275	$ 96,380	$ 1,278,735

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
(in thousands)

Total fund balances - governmental funds		$ 810,021
Amounts reported for governmental activities in the Statement of Net Assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 227,979	
Land improvements-nondepreciable	101,055	
Land improvements, net of $56,449 accumulated depreciation	175,096	
Broadcast license intangible	3,600	
Buildings and fixed equipment, net of $907,681 accumulated depreciation	2,281,715	
Furniture, fixtures and equipment, net of $295,470 accumulated depreciation	69,167	
Assets under capital lease, net of $90,520 accumulated depreciation	47,934	
Audio/visual, net of $426 accumulated depreciation	414	
Computer software, net of $19,796 accumulated depreciation	3,671	
Motor vehicles, net of $54,576 accumulated depreciation	22,181	
Construction in progress	229,858	
		3,162,670
The District deems the following revenues as earned at year-end for the Statement of Net Assets:		
Miscellaneous capital revenue	495	
Federal Emergency Management Agency	239	
		734
Internal service funds are used by the District to charge the costs of services, such as workers' compensation insurance and printing services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		4,472
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets.		
Balances at June 30, 2009 are:		
Accrued interest on long-term debt	(239)	
Certificates of participation	(1,980,665)	
Debt premiums and discounts, net	(43,866)	
Debt issuance costs	15,964	
Bonds payable	(71,050)	
Capital leases payable	(39,204)	
Compensated absences	(156,610)	
Other postemployment benefits (OPEB)	(17,623)	
Tax arbitrage rebate payable	(3,384)	
Total long-term liabilities		(2,296,677)
Total net assets of governmental activities		$ 1,681,220

The accompanying notes to the basic financial statements are an integral part of this Statement.

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THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(in thousands)

	GENERAL FUND	COP SERIES DEBT SERVICE FUND	LOCAL MILLAGE CAPITAL IMPROVEMENT FUND
REVENUES:			
Local sources:			
Ad valorem taxes	$ 961,492	$ -	$ 297,268
Food sales	-	-	-
Interest on investments	9,170	-	4,453
Other	58,162	-	1,447
Total local sources	1,028,824	-	303,168
State sources:			
Florida education finance program	486,418	-	-
Public education capital outlay	-	-	-
Discretionary lottery funds	6,608	-	-
Categorical programs and other	365,046	-	-
Total state sources	858,072	-	-
Federal sources:			
Food service	-	-	-
Grants and other	10,620	-	-
Total federal sources	10,620	-	-
Total revenues	1,897,516	-	303,168
EXPENDITURES:			
Current operating:			
Instructional services	1,332,757	-	-
Instructional support services	201,089	-	-
Pupil transportation services	86,846	-	-
Operation and maintenance of plant	247,177	-	-
School administration	131,904	-	-
General administration	106,883	-	-
Food services	-	-	-
Total current operating	2,106,656	-	-
Debt service:			
Principal retirement	-	82,989	-
Interest charges and other	2,300	96,352	-
Total debt service	2,300	179,341	-
Capital outlay	-	-	101,253
Total expenditures	2,108,956	179,341	101,253
Excess (deficiency) of revenues over (under) expenditures	(211,440)	(179,341)	201,915
OTHER FINANCING SOURCES (USES):			
Certificates of participation	-	-	-
Premium (discount) on long-term debt issued	-	-	-
Capital lease	5,222	-	-
Sale of capital assets	-	-	193
Other loss recoveries	-	-	-
Transfers in	177,611	171,998	-
Transfers out	(2,335)	-	(228,215)
Total other financing sources (uses)	180,498	171,998	(228,022)
Net change in fund balances	(30,942)	(7,343)	(26,107)
Fund balances, beginning of year	115,899	15,343	185,508
Fund balances, end of year	$ 84,957	$ 8,000	$ 159,401

The accompanying notes to the basic financial statements are an integral part of this Statement.

ARRA ECONOMIC STIMULUS CAPITAL PROJECT FUND	OTHER CAPITAL IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
$ -	$ -	$ 210	$ 1,258,970
-	-	27,896	27,896
-	19,710	364	33,697
-	2,777	5,276	67,662
-	22,487	33,746	1,388,225
-	-	-	486,418
-	-	25,570	25,570
-	-	-	6,608
-	10,580	13,644	389,270
-	10,580	39,214	907,866
-	-	55,767	55,767
-	6,222	179,982	196,824
-	6,222	235,749	252,591
-	39,289	308,709	2,548,682
-	-	122,624	1,455,381
-	-	57,387	258,476
-	-	1,770	88,616
-	-	199	247,376
-	-	3	131,907
-	-	517	107,400
-	-	86,656	86,656
-	-	269,156	2,375,812
-	-	6,495	89,484
652	446	3,609	103,359
652	446	10,104	192,843
1,182	308,910	68,233	479,578
1,834	309,356	347,493	3,048,233
(1,834)	(270,067)	(38,784)	(499,551)
113,823	20,140	-	133,963
(507)	(309)	-	(816)
-	11,750	-	16,972
-	3,018	-	3,211
-	198	-	198
-	-	3,487	353,096
(497)	(46,464)	(4,338)	(281,849)
112,819	(11,667)	(851)	224,775
110,985	(281,734)	(39,635)	(274,776)
-	664,981	103,066	1,084,797
$ 110,985	$ 383,247	$ 63,431	$ 810,021

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(in thousands)

Total net change in fund balances - governmental funds		$ (274,776)
Amounts reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($365,459) exceeded depreciation ($145,925) and undepreciated deleted assets ($3,381) in the current period.		216,153
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Activities, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.		
Debt proceeds	$ (148,435)	
Principal payments	89,484	
Total net bond proceeds		(58,951)
Internal service funds are used by the District to charge the costs of services, such as workmans' compensation insurance and printing services, to individual funds. The net income (loss) of internal service funds is reported within the governmental activities.		(11,889)
In the Statement of Activities, certain operating expenses - compensated absences (vacation and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid) and for new retirees, the amount expected to be paid out for terminal sick leave over the next year. This year, the long-term portion of vacation and sick leave earned exceeded the amounts used by $3,393.		
Net change in compensated absences		3,393
Net change in postemployment benefits obligation		(10,926)
The District has recorded the following as revenue in the government-wide statements which do not meet the earned criterion for recognition in the fund financial statements:		
Miscellaneous revenue	495	
Federal Emergency Management Agency	239	
		734
Accrual of the additional tax arbitrage payable do not require the use of current financial resources and therefore are not reported in governmental funds.		(3,384)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
Accrued interest on long-term debt - prior year	689	
Accrued interest on long-term debt - current year	(239)	
		450
Revenues in the governmental funds statement that related to the prior year and are not reported in the Statement of Activities:		
Miscellaneous revenue		(495)
Reversal of prior year's accruals:		
Tax arbitrage liability	4,812	
Receivable from Federal Emergency Management Agency	(11,465)	
		(6,653)
Debt issuance costs and premiums/discounts are expensed as paid in the governmental funds but must be capitalized and amortized in the government-wide presentation.		3,612
Change in net assets of governmental activities		$ (142,732)

The accompanying notes to the basic financial statements are an integral part of this Statement.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009
(in thousands)

	INTERNAL SERVICE FUNDS
ASSETS:	
Current assets:	
Equity in pooled cash and investments	$ 39,546
Accrued interest receivable	125
Inventories	21
Other assets	16,727
Total current assets	56,419
Noncurrent assets:	
Machinery and equipment (net of accumulated depreciation)	23
Total assets	56,442
LIABILITIES:	
Current liabilities:	
Accounts payable and accrued expenses	173
Estimated liability for self-insurance risks	24,177
Total current liabilities	24,350
Long-term liabilities:	
Estimated liability for self-insurance risks	27,620
Total liabilities	51,970
NET ASSETS:	
Invested in capital assets	23
Unrestricted	4,449
Total net assets	$ 4,472

The accompanying notes to the basic financial statements are an integral part of this Statement.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(in thousands)

	INTERNAL SERVICE FUNDS
OPERATING REVENUES:	
Premium revenues	$ 44,682
Charges for services	88,344
Other	56,992
Total operating revenues	190,018
OPERATING EXPENSES:	
Claims	18,286
Insurance	18,823
Personnel services	87,541
Depreciation	4
Other	8,006
Total operating expenses	132,660
Operating income	57,358
NON-OPERATING REVENUE:	
Interest and other	2,000
Net income before transfers	59,358
Transfers in	253
Transfers out	(71,500)
Net loss	(11,889)
Total net assets, beginning of year	16,361
Total net assets, end of year	$ 4,472

The accompanying notes to the basic financial statements are an integral part of this Statement.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(in thousands)

	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from governmental customers	$ 182,838
Cash payments for goods and services	(96,092)
Cash payments to employees	(87,541)
Net cash used in operating activities	(795)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(71,247)
Net cash used by noncapital financing activities	(71,247)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	2,000
Net decrease in cash and cash equivalents	(70,042)
CASH AND CASH EQUIVALENTS:	
Beginning of year	109,588
End of year	$ 39,546
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED IN OPERATING ACTIVITIES:	
Operating Income	$ 57,358
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	4
Disposal of capital assets	4
Change in assets and liabilities:	
Decrease in interest receivable	437
Increase in other assets	(1,267)
Decrease in Inventory	1
Decrease in accounts payable and accrued expenditures	(340)
Decrease in estimated liability for self-insurance risks	(56,992)
Net cash used by operating activities	$ (795)

The accompanying notes to the basic financial statements are an integral part of this Statement.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2009
(in thousands)

	AGENCY FUND	
ASSETS:		
Equity in pooled cash and investments	$	5,947
Cash and cash equivalents		8,435
Interest receivable		7
Other assets		31
Total assets	$	14,420
LIABILITIES:		
Accounts payable	$	1,620
Due to individual schools and activities groups		12,800
Total liabilities	$	14,420

The accompanying notes to the basic financial statements are an integral part of this Statement.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School Board of Broward County, Florida (the District) has direct responsibility for operation, control and supervision of schools in Broward County and is considered a primary government for financial reporting purposes. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The general operating authority of the District and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Pursuant to Section 1010.01, Florida Statutes, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The District's significant accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The District was created by the State Constitution and is part of the state system of public education operated under the general direction and control of the State Board of Education. Established in 1915, the District is governed by nine elected board members (the Board). The appointed Superintendent of Schools is the executive officer of the District. The District has taxing authority and provides elementary, secondary and vocational education services to the residents of Broward County, Florida (Broward 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 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 is financially accountable and other organizations that the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, District management has determined that the component units reportable with the accompanying basic financial statements are the Broward School Board Leasing Corporation (the Corporation), the Broward Education Foundation (the Foundation) and fifty-six charter schools operating within the District.

Blended Component Units - The Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 12 of the Notes to the Basic Financial Statements. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

Discretely Presented Component Units - The Foundation, a nonprofit direct-support organization of the District, is included as a discretely presented component unit in the accompanying basic financial statements. The purpose of the Foundation is exclusively educational and charitable, namely, to receive, hold, invest and administer property and to make expenditures for the benefit of the District. In addition, the Foundation is fiscally dependent on the District to provide financial support for its ongoing operating expenses. An audit of the Foundation's financial statements, for the fiscal year ended June 30, 2009, was conducted by an independent certified public accountant and is on file at the District's administrative office.

Additionally, in accordance with Section 1002.33, Florida Statutes, district school boards are authorized to approve charter (Charter) school applications. Charter schools are public schools operating under a performance contract with the local school district and are fiscally dependent on the District for a majority of their funding. Revenues such as Florida Education Finance Program (FEFP), State Categoricals, and

other State and Federal revenue sources are received by the District on behalf of the Charter schools and then remitted to them. As such, Charter schools are funded on the same basis and are subject to the same financial reporting requirements as the District. Additionally, all students enrolled in Charter schools are included in the District's total enrollment. To date, the District has approved the establishment of fifty-nine Charter schools, of which, fifty-six were operating sites during the 2008-09 fiscal year. All of the Charter schools are considered component units of the District or another legal entity. For financial reporting purposes, forty-seven of the Charter schools are included in the basic financial statements of the District as discretely presented component units. Audits of the Charter school's financial statements, for fiscal year ended June 30, 2009, were conducted by independent certified public accountants and are on file at the District's administrative office. The audited financial information for Dayspring Elementary Charter School, Eagle Academy Charter School, Paragon Academy of Technology, Smart School, Sunshine Elementary Charter School, Susie Daniels Charter Elementary, and Sunrise Community Charter School was not reported to the District in time for inclusion in the Comprehensive Annual Financial Report (CAFR) or this audit report.

The component unit beginning net assets does not agree to prior year ending net assets on the Statement of Net Assets because availability of financial information for individual charter schools varies from year to year.

The accompanying basic financial statements include the operations of the District, the Corporation, the Foundation and the forty-seven Charter schools. For financial reporting purposes, the operations of Charter Schools with multiple locations operating under a single contract with the District are presented on a consolidated basis. Therefore, the operations of the Somerset Academy and Somerset Neighborhood, as well as Smart School Middle and Smart School Institute High have been consolidated. The District is independent of and is not financially accountable for any other local governmental units or civic entities other than those mentioned above. The Foundation and the Charter schools are presented in the government-wide presentation.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-Wide Financial Statements – The Government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the government in its entirety, except for those that are fiduciary, and distinguish between the District's governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are generally supported by fees charged. The District currently does not have any business-type activities.

The Statement of Net Assets includes all assets and liabilities of the District. The Statement of Activities presents a comparison between the direct expenses and program revenues of the District. Direct

expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function.

Amounts reported as program revenues include 1) charges to students for tuition fees, rentals, materials, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The District eliminates from the Statement of Net Assets and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds to minimize the effect of double counting. However, direct expenses are not eliminated from the various functional categories.

Fund Financial Statements – Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (a) prepaid items are generally not accrued; (b) interest on long-term debt is recognized as an expenditure when due; and (c) expenditures related to long-term debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value and (b) nonexchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place.

Revenues resulting from nonexchange transactions are further classified into (a) derived tax revenues, (b) imposed nonexchange revenues, (c) government-mandated nonexchange transactions, and (d) voluntary nonexchange transactions. Derived tax revenues (e.g., sales taxes) are recorded when the transaction occurs. Imposed nonexchange transactions (e.g., property taxes) are recorded when the use of the resource is required or first permitted by time requirement (e.g., property taxes, the period for which they are levied). Government-mandated and voluntary nonexchange transactions (e.g., Federal mandates, grants and donations) are recorded when all eligibility requirements have been met.

When applying the “susceptible to accrual” concept under the modified accrual basis, resources should also be available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Agency (Fiduciary) funds, accounted on the accrual basis, are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus.

The Proprietary Fund Financial Statements are prepared under the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service funds are for commercial insurance, graphics and printing, maintenance services and facility construction management provided to other funds. Operating expenses for the internal service

funds include salaries, employee benefits, purchased services, supplies, materials, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise 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. Currently, the District does not have any funds classified as enterprise funds. The District reports the following major funds:

GENERAL FUND
The General Fund is the primary operating fund of the District. The general fund is used 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.

DEBT SERVICE FUND – CERTIFICATE OF PARTICIPATION SERIES
This fund is used to account for the accumulation of resources for the payment of debt principal, interest and related costs on the long-term certificates of participation (COP).

CAPITAL PROJECTS FUNDS – LOCAL MILLAGE CAPITAL IMPROVEMENT (Local Property Tax)
This fund is used to account for financial resources received from millage to be used for maintenance and other educational capital needs, including new construction, renovation and remodeling projects.

CAPITAL PROJECTS FUNDS – OTHER CAPITAL IMPROVEMENT FUNDS
Other Capital Improvement Funds are the Certificates of Participation Series, Classrooms First, and Impact Fees Funds. These funds are used as revenue for planned improvements of property and equipment that meet the specific restrictions of those funding sources and are authorized by statute.

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) ECONOMIC STIMULUS CAPITAL PROJECTS FUNDS
ARRA Economic Stimulus Capital Projects Funds include Qualified School Construction and Build America Bonds. These funds are used for capital expenditures related to construction, renovation and remodeling projects and are authorized by Federal law.

The District also reports the following additional fund types:

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
Internal Service Funds are used to account for the financing of goods or services provided by one department to another on a cost reimbursement basis. These funds are used to account for the general and automobile liability self-insurance, workers compensation, and other services provided to other District funds. Proprietary funds are included in the governmental activities in the government-wide financial statements.

FIDUCIARY FUND – AGENCY FUND
This fund is used to account for resources of the school internal funds, which are used to administer moneys collected at the schools in connection with school, student athletics, classes and club activities.

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

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

C. DEPOSITS AND INVESTMENTS

The District maintains an accounting system in which substantially all general District cash, investments, and accrued interest are recorded and maintained in a separate group of accounts. All such cash and investments are reflected as Equity in Pooled Cash and Investments in each fund in the accompanying financial statements. Investment income is allocated based on the proportionate balances of each fund's Equity in Pooled Cash and Investments.

Cash equivalents include amounts in demand and time accounts as well as cash on hand. For purposes of the statement of cash flows, cash and cash equivalents also include highly liquid investments with a maturity of three months or less at the date of purchase.

Investments are stated at fair value. Funds are invested in various instruments allowed by Florida Statutes, including money market funds and bank certificates of deposit.

D. INVENTORIES

Inventories consist of expendable supplies held for consumption in the course of the District's operations. Inventories are stated at cost, as determined on a first-in, first-out basis or a moving weighted average cost basis. United States Department of Agriculture commodities received from the Federal government are recorded at the unit rate established by the Federal government. This inventory is accounted for under the consumption method, and as such, is recorded as expenditure when used.

E. CAPITAL ASSETS

Capital assets, which the District defines as land, buildings and fixed equipment, improvements other than buildings, furniture and equipment, audio/visual equipment, computer software, and motor vehicles with a cost of $1,000 or greater and an initial useful life of more than 1 year, are reported in the government-wide financial statements. Such assets are recorded at historical cost or at estimated historical cost if the actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. Land and Construction in Progress are not depreciated. Other capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide financial statements.

The estimated useful lives are as follows:

Improvements other than buildings	15 to 35 years
Buildings and fixed equipment	7 to 50 years
Furniture, fixtures and equipment	5 to 20 years
Audio visual	5 years
Computer software	5 years
Motor vehicles	10 to15 years

Depreciation expense on school buses has been allocated to the pupil transportation function on the government-wide Statement of Activities. All other depreciation expense has been ratably allocated to the various expense functions based on an analysis of the use of each room in the District and its relative square footage.

Capital assets owned by the Proprietary Funds, principally equipment, are stated at cost. Straight-line depreciation has been provided over the estimated useful lives of these assets, which range from three to five years.

When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the results of operations in the government-wide statements.

As a result of Governmental Accounting Standards Board Statement No. 42 (GASB 42), *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the District is required annually to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in manner or duration of use of a capital asset, and construction stoppage. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

F. REVENUE RECOGNITION

State Revenue Sources - Revenues from state sources for current operations are primarily from the Florida Education Finance Program (FEFP), administered by the Florida Department of Education (FDOE), under the provisions of Section 1011.62, Florida Statutes. The District files reports on full time equivalent (FTE) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these 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. These funds are identified as reserved for State required carryover programs in the Governmental Funds Balance Sheet. Any unused money is returned to the FDOE and so recorded in the year returned.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (PECO) money, to the District on an annual basis for capital and other projects. The 2003 legislative session provided additional construction funding through Classrooms for Kids with the District's share being $63.0 million of which $26.0 million remains undistributed. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. PECO and Classroom for Kids revenues are recognized at the time the encumbrance authorization is approved by the State (i.e., when eligibility criteria are satisfied).

Property Taxes – In the fund financial statements, property tax revenue is recognized when taxes are received, except at year end when revenue is accrued for taxes collected by the Broward County Revenue Collector as of fiscal year-end, but remitted to the District within 60 days subsequent to fiscal year-end. Any delinquent taxes expected to be collected in the subsequent fiscal year are accrued for and deferred at year-end. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received. In the government-wide financial statements, property tax revenue is recognized when levied. Accordingly, uncollected, but earned, property tax revenue, net of uncollected amounts, represent a reconciling item between the fund and government-wide presentation.

G. DEFERRED REVENUE

Delinquent property taxes, net of uncollected amounts, are deferred until received in the fund financial statements. In the government-wide financial statements, property tax revenue is recognized in the period earned (when levied).

Funding for the PECO and Classrooms for Kids is appropriated by the Legislature; however, revenue recognition is deferred until an encumbrance authorization is approved by the State. At June 30, 2009, approximately $6.9 million related to PECO was recorded as deferred revenue.

Other deferred revenues, of approximately $0.5 million, in the fund financial statements include various receivables that are not considered to be available to liquidate liabilities of the current period or funds received, but not yet earned.

H. COMPENSATED ABSENCES

Compensated absences are salary-related payments to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of Social Security and Medicare and retirement contributions. They are recorded as expenditures when used or are accrued as a payable to employees who are entitled to cash payment in lieu of taking leave. District employees may accumulate unused sick leave without limitation and unused vacation up to a specified amount depending on their date of hire. Vacation leave is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. Sick leave is payable to employees upon retirement at the rate of pay in effect at the time the leave is earned. The number of days payable is subject to limitations as set forth in District policies.

The current portion represents the estimated terminal sick-leave amount that is due to, and has not been paid out to, employees who have retired on or prior to June 30, 2009.

The noncurrent portion (the amount estimated to be used in subsequent fiscal years) of $156.6 million for the governmental funds is maintained separately and represents a reconciling item between the fund financial statements and government-wide financial statements.

I. SELF-INSURANCE

The District is self-insured for portions of its general and automobile liability insurance and workers' compensation. The estimated liability for self-insurance risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (see Note 20 of the Notes to the Basic Financial Statements).

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

J. FUND EQUITY

In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

L. IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2007, the GASB issued Statement No. 51 (GASB 51), *Accounting and Financial Reporting for Intangible Assets*. GASB 51 provides needed guidance regarding how to identify, account for, and report intangible assets, and therefore, enhances the comparability of the accounting and financial reporting of such assets among governmental entities. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period.

This statement is effective for financial statements for periods beginning after June 15, 2009. The District is currently assessing the impact of GASB 51 on its financial position and changes in financial position.

In June 2008, the GASB issued Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 provides specific criteria that governments will use to determine whether a derivative instrument will result in an effective hedge. The new standard is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements

This statement is effective for financial statements for periods beginning after June 15, 2009. The District is currently assessing the impact of GASB 53 on its financial position and changes in financial position.

2. BUDGETARY POLICIES

A. Budgetary Information

The Board follows procedures established by State Statute and State Board of Education rules in establishing annual budgets for governmental funds as described below:

(1) 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.

(2) The major functional level is the legal level of budgetary control. Budgeted amounts may be amended by resolution at any Board meeting prior to the due date for the annual financial report. General Fund budgetary disclosure in the accompanying financial statements reflects the final budget including all amendments approved for the fiscal year through September 3, 2009.

(3) Project length budgets, such as in the Capital Projects Funds, are determined and then are fully appropriated in their entirety in the year the project is approved. For the beginning of the following year, any unexpended appropriations for a project from the prior year are reappropriated. This process is repeated from year to year until the project is completed.

(4) Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward, if applicable, to the following year for the General Fund and are closed after a six-month period.

B. Excess of expenditures over appropriations

For the year ended June 30, 2009, expenditures exceeded appropriations in the following funds: Food Services $1.6 million, Other Special Revenue $0.2 million, and COP Series Debt Service Fund $0.3 million. These overexpenditures were funded by greater than anticipated revenues for the special revenue funds and available fund balance for the major debt service fund.

3. DEPOSITS AND INVESTMENTS

On January 18, 2000, the Board formally adopted policy number 3110, a comprehensive investment policy pursuant to Section 218.415, Florida Statutes, that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the District's cash and investment assets. The policy's main objectives are geared to maintain the safety of principal, liquidity and return on investment.

Cash and Cash Equivalents:

As of June 30, 2009, the carrying amount of the District's bank deposit account was $114.4 million. Banks qualified as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes, hold all deposits.

Cash Equivalents consist of amounts placed with Columbia Government Reserves, Fidelity and Federated Government Obligations managed by Bank of America Securities, LLC, as well as Public Financial Management Government Funds. All money market funds are comprised of United States Treasury and United States Government Obligations that are backed by the full faith and credit of the United States Government. At June 30, 2009, the aggregate of the money market funds held by the District totaled $262.0 million.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Cash and investments at June 30, 2009 are shown below (in thousands):

	Governmental Funds	Internal Service Funds	Total Government-Wide	Agency Fund
Fixed Investments - Federal Treasuries & Agency Securities & Corporate Notes	$ 219,870	$ 15,737	$ 235,607	$ 2,367
Investments not subject to categorization:				
Funds held by Trustee for Certificates of Participation for debt service	106,251		106,251	
Funds held by Trustee for Certificates of Participation issued by the Corporation	490,465		490,465	
Funds held in trust by the State	1,867		1,867	
Money Market Account	242,101	17,329	259,430	2,606
Total Investments	1,060,554	33,066	1,093,620	4,973
Total deposits	90,535	6,480	97,015	9,409
Total cash, cash equivalents and investments	$ 1,151,089	$ 39,546	$ 1,190,635	$ 14,382

Credit Risk:

The District has adopted an investment policy that authorizes the District to participate in the State Board Administration Investment Pool (SBA). The policy also authorizes the District to invest in interest-bearing time deposits or savings accounts, direct obligations of the United States Treasury, Federal Agencies, and money market funds with the highest credit quality rating from nationally recognized statistical rating organizations and registered with the Securities and Exchange Commission; State and/or local government taxable and/or tax exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and “AA” by Standard & Poor’s for long term debt, or rated at least “MIG-2” by Moody’s and “SP-2” by Standard & Poor’s for short-term debt; and banker’s acceptances issued by a domestic bank or a Federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short term paper is rated, at a minimum, “P-1” by Moody’s Investors Service and “A-1” by Standard & Poor’s. Additionally, the bank shall not be listed with any recognized credit watch information service.

The Policy also authorizes the District to invest in commercial paper of any United States company that is rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s (prime commercial paper). Additionally, the company shall not be listed with any recognized credit watch information service. Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard & Poor’s.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

As of June 30, 2009, the District's investment securities had the following ratings as shown in the chart below (dollars in thousands):

Investments	Fair Market Value	S & P Rating
Short term portfolio:		
Money Market:		
Fidelity Institutional Government Portfolio	$ 104,343	AAAm
Federated Government Obligations Fund	101,313	AAAm
PFM Funds Government Series	50,059	AAAm
Columbia Government Reserves	6,321	AAAm
Corporate Notes	6,569	AA+-A
Federal Instrumentatlities Coupon Securities	2,064	AAA
Federal Instrumentatlities Discounted Notes	125,866	AAA
Long term portfolio:		
Corporate Notes	19,740	AA+-AA
Federal Instrumentalities Coupon Securities and Discounted Notes	46,598	AAA
Treasury Bonds and Notes	32,077	AAA
Treasury Bills	5,060	AAA

The District's bank balance of $114.4 million is deposited in a qualified public depository, as required by Chapter 280, Florida Statutes.

The District's investments are in accordance with all investment policies as of June 30, 2009, except that certain corporate debt issues were downgraded subsequent to acquisition as follows:

Citigroup, Inc.	$500,290	S&P is A
Bank of NY Mellon	$315,777	S&P is AA-
Wells Fargo Co.	$302,583	S&P is AA-

Interest Rate Risk:

The District manages its exposure to rising interest rate risk in fair value by forecasting cash outflows and inflows. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. According to the District's policy, securities may be purchased at a premium or traded for other securities to improve yield, maturity or credit risk.

Investments of bond reserves, construction funds, and other nonoperating funds (core funds) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years.

The District's money market accounts are tied to Federal Funds rates minus 5 basis points. The following table shows the District's short term portfolio weighted average maturity at June 30, 2009 (dollars in thousands):

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Investments	Fair Market Value	Maturity: Less than 1 Year	Maturity: 2 Years	Weighted Average Maturity
Money Market:				
Fidelity Institutional Government Portfolio	$ 104,343	$ 104,343	$	50 Day Average
Federated Government Obligations Fund	101,313	101,313		47 Day Average
PFM Funds Government Series	50,059	50,059		58 Day Average
Columbia Government Reserves	6,321	6,321		38 Day Average
Total	$ 262,036	$ 262,036	$ -	

The Short Term Portfolio uses the Weighted Average Maturity.

The following table shows the District's long term portfolio effective duration (in years) at June 30, 2009:

Investments	Effective Duration
Corporate Notes	1.347
Federal Instrumentalities Coupon Securities	1.387
Federal Instrumentalities Discounted Notes	0.550
Treasury Bonds and Notes	1.588
Treasury Bills	0.519
Average Effective Duration	0.949

The Long Term Portfolio uses the Effective Duration.

Concentration of Credit Risk:

The District's Investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the District's Investment Portfolio.

The Florida Government Surplus Fund Trust Fund (SBA).
A maximum of 100 percent of available funds may be invested by the District's Treasurer (the "Treasurer") in the SBA. Funds deposited with the SBA are invested in the pooled investment account, an external investment pool administered by the State of Florida and operated in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

U.S. Government Securities:
The Treasurer may invest in negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government. A maximum of 100 percent of available funds may be invested in these securities; the maximum length to maturity is 5 years from the date of purchase.

These securities include but are not limited to:
Cash Management Bills, Treasury Securities- State and Local Government Series ("SLGS"), Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Strips.

U.S. Government Agencies:
The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Government Agencies, provided such obligations are backed by the full faith and credit of the United States Government. A maximum of 50 percent of available funds may be invested in United States government agencies. A maximum of 25 percent of available funds may be invested in individual United States government agencies. The maximum length to maturity is 5 years from the date of purchase.

Federal Instrumentalities (U.S. Government sponsored agencies):
The Treasurer may invest in bonds, debentures, notes or callables issued or guaranteed by the United States Government sponsored Agencies (Federal Instrumentalities), which are non-full faith. A maximum of 80 percent of available funds may be invested in Federal Instrumentalities. A maximum of 40 percent may be invested in any one issuer. The maximum length to maturity for an investment is 5 years from the date of purchase.

Interest-Bearing Time Deposit or Savings Account:
Funds can be invested in nonnegotiable interest bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in National Banks organized by the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes. A maximum of 25 percent of available funds may be invested in nonnegotiable interest bearing time certificates of deposit. A maximum of 15 percent of available funds may be deposited with any one issuer. The maximum maturity on any certificate is 1 year from the date of purchase.

Corporate Notes:
The Treasurer may invest in Corporate Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard’s & Poor’s. A maximum of 15 percent of available funds may be invested in corporate notes. Only 5 percent invested with one issuer. The length of maturity shall be 3 years from the date of purchase.

The following table shows the composition of the District’s investments at June 30, 2009, excluding funds held in trust (dollars in thousands).

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Investments	Fair Market Value	Percentage of Portfolio
Short Term Investments:		
Money Market:		
Fidelity Institutional Government Portfolio	$ 104,342	20.87%
Federated Government Obligations Fund	101,314	20.26%
PFM Funds Government Series	50,059	10.01%
Columbia Government Reserves	6,321	1.26%
Long Term Investments:		
Corporate Notes:		
General Electric	6,069	1.21%
JP Morgan Chase	4,872	0.97%
Morgan Stanley	4,250	0.85%
SunTrust Bank	4,127	0.83%
General Electric	3,757	0.75%
PNC Funding Corporation	2,115	0.42%
Citigroup, Inc.	500	0.10%
Bank of NY Mellon	316	0.06%
Wells Fargo Company	303	0.06%
Federal Instrumentalities:		
Federal Home Loan Bank	89,046	17.81%
Federal Home Loan Mortgage Corp.	69,580	13.92%
Federal National Mortgage Association	8,856	1.77%
Federal Farm Credit Banks	7,046	1.41%
Treasury Bonds and Notes	32,077	6.42%
Treasury Bills	5,060	1.01%
Total Investments	$ 500,010	

Custodial Risk:

Pursuant to Section 218.415 (10), Florida Statutes, securities, with the exception of certificates of deposit, are held with a third party custodian; and all securities purchased by, and all collateral obtained by the District is properly designated as an asset of the District. The securities are held in an account separate and apart from the assets of the financial institution.

As of June 30, 2009, the District's investment portfolio was held by Wachovia Safekeeping, a third party custodian, as required by the School Board's investment policy.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

4. DUE TO/FROM OTHER GOVERNMENTAL AGENCIES

At June 30, 2009, the District's due to/from other governmental agencies balances are as follows (in thousands):

	General Fund	Local Millage Capital Improvement Funds	Other Capital Improvement Funds	Other Governmental Funds	Total
Due from Other Governmental Agencies:					
Federal Government:					
Miscellaneous Federal	$ 2,032	$	$	$ 18,992	$ 21,024
State Government:					
Food Reimbursement				1,350	1,350
Classrooms for Kids				25,965	25,965
Public Education Capital Outlay				22,650	22,650
Miscellaneous	763		2,112		2,875
Local Government:					
Taxes Receivable	2,545	789		3	3,337
Miscellaneous Local	176	55	162		393
Total Due from Other Governmental Agencies	$ 5,516	$ 844	$ 2,274	$ 68,960	$ 77,594
Due to Other Governmental Agencies:					
Florida Retirement System Contribution	$ 7,469	$	$	$	$ 7,469
Miscellaneous				1	1
Total Due from Other Governmental Agencies	$ 7,469	$	$	$ 1	$ 7,470

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2009, the various components of deferred revenue reported in the government-wide statements and the governmental funds were as follows (in thousands):

	Unearned Revenue Government-Wide	Deferred Revenue Governmental Funds
Interlocal Agreements	$	$ 495
PECO Receivable	6,889	6,889
Grant draw downs prior to meeting all eligibility requirements	2,770	2,770
	$ 9,659	$ 10,154

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

5. AD VALOREM TAXES

The District is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. Property taxes are assessed by the Broward County Property Appraiser and are collected by the Broward County Revenue Collector who remits them to the District. The Board adopted the 2008 tax levy on September 4, 2008.

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Such levy serves to finance expenditures of the following fiscal year. 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.

On April 1 of the year following the year of assessment, taxes become delinquent and Florida Statutes provide 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 certificates to satisfy unpaid taxes. The District recognizes revenue during the fiscal year following the year of assessment. Accordingly, substantially all of the taxes assessed on January 1, 2008, have been recognized during the fiscal year ended June 30, 2009.

The following is a summary of millages and taxes levied on the final 2008 tax rolls for the 2008-09 fiscal year (dollars in thousands):

		Taxes		
	Millages	Levied	Collected	Prior Years Taxes Collected
General Fund				
Non-voted School Tax:				
Required Local Effort	5.0190	$ 889,452	$ 845,507	$ 6,042
Discretionary Local Effort	0.6480	114,837	109,163	780
	5.6670	$ 1,004,289	$ 954,670	$ 6,822
Capital Project Funds				
Non-voted School Tax:				
Capital Improvements	1.7500	$ 310,130	$ 294,808	$ 2,460
Debt Service Funds				
Voted Tax:				
Debt Service	0.0000	$	$	$ 210

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The State Constitution limits the nonvoted levying of taxes by the District to 10 mills ($10.00 per thousand of assessed valuation). State law prescribes the upper limit of nonvoted taxes to be levied on an annual basis, with the fiscal year 2009, limit being 7.4170 mills, which includes up to 1.75 mills for the Capital Projects Funds. The voter approved levy for debt service is limited to 6.0 mills; for fiscal year 2009, no taxes for debt service were levied. The District no longer has general obligation bonds.

The total assessed value for calendar year 2008, on which the 2008-09 fiscal year levy was based, was approximately $177.2 billion, which is subject to change based upon appeals to the Broward County Value Adjustment Board.

Actual property taxes collected or accrued for the 2008-09 fiscal year totaled 95.1 percent of the taxes levied. The Broward County Revenue Collector is not required by law to make an accounting to the District of the difference between taxes levied and taxes collected. However, because discounts are allowed for early payment of taxes and because of other reasons for noncollection, the District budget anticipates that 95 percent of taxes levied will be collected.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

6. CAPITAL ASSETS

A summary of changes in capital assets is as follows (in thousands):

	Balance 6/30/2008	Additions	Deletions	Transfers	Balance 6/30/2009
Primary Government:					
Capital Assets Not Being Depreciated:					
Land	$ 226,577	$ 1,477	$ (75)	$	$ 227,979
Land Improvements	83,618	875	(214)	16,776	101,055
Construction in Progress	247,079	286,689	(3,092)	(300,818)	229,858
Broadcast License Intangible	3,600				3,600
Total Capital Assets Not Being Depreciated	560,874	289,041	(3,381)	(284,042)	562,492
Other Capital Assets;					
Land Improvements	193,185	10,132	(554)	28,782	231,545
Buildings and Fixed Equipment	2,903,306	31,896	(1,066)	255,260	3,189,396
Furniture, Fixtures, and Equipment	400,976	9,300	(45,639)		364,637
Assets Under Capital Leases	121,482	16,972			138,454
Audio Visual	935	176	(271)		840
Computer Software	26,192	858	(3,583)		23,467
Motor Vehicles:					
Buses	52,818	5,775	(5,851)		52,742
Other	23,542	1,309	(836)		24,015
Total Other Capital Assets at Historical Cost	3,722,436	76,418	(57,800)	284,042	4,025,096
Less Accumulated Depreciation for:					
Land Improvements	(47,208)	(9,795)	554		(56,449)
Buildings and Fixed Equipment	(837,824)	(70,923)	1,066		(907,681)
Furniture, Fixtures, and Equipment	(309,245)	(31,864)	45,639		(295,470)
Assets Under Capital Leases	(66,078)	(24,442)			(90,520)
Audio Visual	(528)	(169)	271		(426)
Computer Software	(18,686)	(4,693)	3,583		(19,796)
Motor Vehicles:					
Buses	(43,106)	(1,594)	5,851		(38,849)
Other	(14,118)	(2,445)	836		(15,727)
Total Accumulated Depreciation*	(1,336,793)	(145,925)	57,800		(1,424,918)
Total Other Capital Assets, Net	2,385,643	(69,507)		284,042	2,600,178
Total Primary Government, Net	2,946,517	219,534	(3,381)		3,162,670
Internal Service Fund:					
Machinery and Equipment	561	10	(107)		464
Accumulated Depreciation*	(530)	(4)	93		(441)
Total Internal Service Fund, Net	31	6	(14)		23
Total Capital Assets, Net	$ 2,946,548	$ 219,540	$ (3,395)	$	$ 3,162,693

*Depreciation expense was recorded in the following governmental functions:

Instruction Services	$ 107,526
Instruction Support Services	15,155
Pupil Transportation Services	2,186
Operation and Maintenance of Plant	8,313
School Administration	3,522
General Administration	2,458
Food Services	6,769
Total Depreciation Expense	$ 145,929

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

7. INTERFUND TRANSACTIONS

Interfund Transfers. A summary of interfund transfers for the fiscal year ended June 30, 2009, is as follows (in thousands):

	General Fund	COP Series Debt Service Funds	Other Governmental Funds	Internal Service Funds	Total Primary Government
Transfers Out:					
General Fund	$	$ 2,038	$ 44	$ 253	$ 2,335
Local Millage Capital Improvement Funds	84,500	143,715			228,215
ARRA Economic Stimulus Capital Project Funds		497			497
Other Capital Improvement Funds	20,716	25,748			46,464
Other Governmental Funds	895		3,443		4,338
Internal Service Funds	71,500				71,500
Total Primary Government	$ 177,611	$ 171,998	$ 3,487	$ 253	$ 353,349

The transfers-in to the General Fund primarily relate to the funding of maintenance and repairs of existing school facilities pursuant to Chapter 1013 of the Florida Statutes. They also include a transfer from the Internal Service Funds due to a change in the method of estimating and funding of long-term self insurance liabilities. The transfers-in to the Debt Service Funds relate to the funding of principal and interest payments on the District's outstanding debt issues.

Interfund Receivables and Payables. Individual fund receivable and payable balances as reported in the governmental funds balance sheet at June 30, 2009, are as follows (in thousands):

	Other Governmental Funds
Receivable Fund:	
General Fund	$ 18,280
Total	$ 18,280

Interfund receivables and payables relate to the funding of expenditures paid by the various funds on behalf of other funds.

8. TAX ANTICIPATION NOTES

On November 5, 2008, the District issued Tax Anticipation Notes (TANS), Series 2008. This $125.0 million issue was sold at a coupon interest rate of 3.5 percent with an effective yield of 1.75 percent. Interest costs incurred on the life of this issue for the year ended June 30, 2009, were $3.9 million, net of a premium of $1.9 million. For the year ended June 30, 2009, the interest costs incurred were $2.3 million. Note proceeds were used to pay fiscal year 2009 operating expenditures prior to the receipt of ad valorem taxes. There was no arbitrage rebate due on the TANS, Series 2008. The notes are due September 30, 2009.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Short-term debt activity for the year ended June 30, 2009 was as follows (in thousands):

	Beginning Balance July 1, 2008	Issued	Redeemed	Ending Balance June 30, 2009
Tax Anticipation Notes	$ 125,000	$ 125,000	$ 125,000	$ 125,000

9. CAPITAL LEASES

Property acquired under capital leases, which is stated at acquisition cost, is included in the government-wide financial statements. At June 30, 2009, the various components of property acquired under capital leases reported in the government-wide statements were as follows (in thousands):

	Amount
Furniture, Fixtures, and Equipment	$ 91,404
Buses	42,744
Other Motor Vehicles	4,306
Total	$ 138,454

The following is a summary of changes in capital leases for the fiscal year ended June 30, 2009 (in thousands):

	Interest Rate	Final Maturity Date	June 30, 2008	Increases	Decreases	June 30, 2009
School Buses	4.50%	03/12/2010	$ 4,935	$	$ (2,413)	$ 2,522
School Buses	4.35%	06/30/2012	4,497		(1,052)	3,445
Computer Equipment	4.02%	06/30/2010	1,525		(748)	777
Computer Equipment	4.58%	12/15/2008	11,157		(11,157)	
Computer Equipment	4.70%	12/30/2008	1,438		(1,438)	
Computer Equipment	7.47%	12/30/2008	3,678		(3,678)	
Computer Equipment	4.11%	03/17/2011	3,458		(1,106)	2,352
School Buses	4.56%	04/21/2014	10,071		(1,495)	8,576
Computer Equipment	4.61%	05/01/2011	7,985		(2,543)	5,442
Computer Equipment	3.71%	12/18/2012		3,658	(428)	3,230
School Buses	4.06%	12/18/2016		8,488	(454)	8,034
Computer Equipment	3.27%	06/30/2014		1,564		1,564
Computer Equipment	3.27%	06/30/2014		3,262		3,262
Total Capital Leases			$ 48,744	$ 16,972	$ (26,512)	39,204
Less, Portion Due Within One Year						(14,031)
Total Capital Leases Due in More Than One Year						$ 25,173

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The following is a summary of the future minimum lease payments under capital leases together with the present value of minimum lease payments as of June 30, 2009 (in thousands):

Fiscal Year	Amount
2010	$ 14,031
2011	10,622
2012	6,474
2013	4,741
2014	4,245
2015 - 2017	3,132
Total Minimum Lease Payments	43,245
Less:	
Amount Representing Interest	(4,041)
Present Value of Minimum Lease Payments	$ 39,204

The amount representing interest was calculated using annual rates ranging from 3.27 percent to 7.47 percent.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

10. NONCURRENT DEBT

The following is a summary of changes in noncurrent debt for the fiscal year ended June 30, 2009 (in thousands):

	Interest Rate	Final Maturity Date	June 30, 2008	Increases	Decreases	June 30, 2009	Amounts Due Within One Year
Bonds Payable:							
Capital Outlay Bond Issues:							
Series 1999A	4.00 - 4.75%	01/01/2019	$ 3,175	$	$ (235)	$ 2,940	$ 245
Series 2000A	4.00%	01/01/2010	30		(15)	15	15
Series 2001A	4.10 - 5.25%	01/01/2021	1,810		(85)	1,725	90
Series 2002A	3.00 - 5.00%	01/01/2022	7,645		(340)	7,305	355
Series 2002B	3.38 - 5.38%	01/01/2015	16,850		(2,325)	14,525	2,440
Series 2003A	3.00 - 5.00%	01/01/2023	8,330		(310)	8,020	335
Series 2005A	3.00 - 5.00%	01/01/2017	30,495		(2,745)	27,750	2,875
Series 2005B	3.50 - 5.00%	01/01/2020	4,145		(360)	3,785	355
Series 2006A	3.50 - 5.00%	01/01/2026	360		(45)	315	35
Series 2008A	3.25 - 5.00%	01/01/2028	4,705		(35)	4,670	55
Total Capital Outlay Bond Issues			77,545		(6,495)	71,050	6,800
Certificates of Participation:							
Series 1997A	4.50 - 5.75%	07/01/2011	20,940		(6,645)	14,295	6,975
Series 1997B	4.50 - 5.25%	07/01/2012	15,260		(3,535)	11,725	3,710
Series 2000 QZAB	(i)	12/20/2013	1,753		(351)	1,402	351
Series 2001A	3.00 - 5.50%	07/01/2026	190,790		(5,465)	185,325	5,705
Series 2001 QZAB	(ii)	06/28/2014	1,841		(368)	1,473	368
Series 2001B	3.00 - 5.375%	07/01/2026	113,240		(2,835)	110,405	3,320
Series 2003A	2.00 - 5.25%	07/01/2028	182,295		(5,795)	176,500	5,965
Series 2003B	2.00 -5.00%	06/15/2010	11,265		(5,525)	5,740	5,740
Series 2004A	2.00 - 5.25%	07/04/2017	62,640		(6,000)	56,640	6,135
Series 2004B	5.00 - 5.25%	07/01/2017	71,920			71,920	
Series 2004C	2.50 - 5.25%	07/01/2020	87,830		(6,005)	81,825	6,290
Series 2004D	Variable	07/07/2029	113,825			113,825	
Series 2004 QZAB	(iii)	12/22/2020	690		(53)	637	53
Series 2005A	3.00 - 5.00%	07/01/2030	181,450		(6,295)	175,155	6,565
Series 2005B	Variable	07/01/2021	44,460			44,460	
Series 2006A	4.00 - 5.25%	07/01/2028	202,105			202,105	
Series 2006B	Variable	07/01/2031	65,000			65,000	
Series 2007A	3.50 - 5.00%	07/01/2032	265,315		(7,605)	257,710	7,905
Series 2008A	3.15 - 5.25%	07/01/2033	270,560			270,560	
Series 2009A T-E	5.00 - 5.25%	07/01/2027		20140		20,140	
Series 2009A BAB	7.40%	07/01/2034		63910		63,910	
Series 2009A QSCB	(iv)	06/17/2024		49913		49,913	
Total Certificates of Participation			1,903,179	133,963	(56,477)	1,980,665	59,082
Total Bonds and Certificates of Participation Payable			$ 1,980,724	$ 133,963	$ (62,972)	2,051,715	65,882
Add: Net Premiums/Discount						43,866	4,607
Less: Amounts Due Within One Year						(70,489)	
Total Debt, Net of Premiums and Discounts						$ 2,025,092	$ 70,489

(i) Interest on the Series 2000 QZAB is paid by the Federal Government in the form of an annual tax credit to the bank or other financial institution that holds the QZAB. Annual payments of $350,712 will be made for twelve consecutive years, being deposited in an escrow account held by a fiscal agent, which when coupled with interest earnings and net appreciation in market value will be sufficient to pay off the principal balance of the QZAB, in full, at maturity on December 20, 2013.

(ii) Interest on the Series 2001 QZAB is paid by the Federal government in the form of annual tax credit to the bank or other financial institution that holds the QZAB. Annual payments of $368,121 will be made for twelve consecutive years, beginning on June 30, 2002, which will pay off the principal balance of the QZAB, in full, by its maturity on June 28, 2014.

(iii) Interest on the Series 2004 QZAB is paid by the Federal government in the form of an annual tax credit to the bank or other financial institution that holds the QZAB. Annual payments of $53,062 will be made for sixteen consecutive years, being deposited in an escrow account held by a fiscal agent, which when coupled with interest earnings and net appreciation in market value will be sufficient to pay off the principal balance of the QZAB, in full, at maturity on December 22, 2020.

(iv) Series 2009-A QSCBs (Qualified School Construction Bonds) are issued with principal only repaid by the District (no interest) and the investor receives a tax credit in lieu of interest payment. Annual payments of $4,540,000 will be made for eleven consecutive years, being deposited in an escrow account held by a fiscal agent. The Series 2009A QSCB will mature on June 17, 2024.

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The capital outlay bond issues (COBI) are retired by the State using a portion of the District's share of revenue from the sale of license plates. The State Board of Administration determines the sinking fund requirements for these bonds annually. The sinking fund, maintained in the COBI Debt Service Fund, at June 30, 2009, was $1.9 million.

The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created two new categories of direct subsidy debt for schools districts: the Qualified School Construction Bonds (QSCBs) and the Build America Bonds (BABs). Neither the QSCBs nor the BABs represent incremental Federal funding, both must be repaid by the District.

The issuance of Certificates of Participation (the Certificates), Series 2009A-Tax-Exempt for $20.1 million less issuance costs of $0.1 million, was entered into on June 17, 2009. The Series 2009A-Tax Exempt is a conventional fixed rate certificate. The Certificates are liquidated through the COP-Series Debt Service Fund from the proceeds of the capital millage levied by the District. See Note 12 of the Notes to the Basic Financial Statements for further discussion of the Certificates.

On June 17, 2009, the District also issued the Certificates of Participation, Series 2009A-BAB (Federally Taxable-Direct Payment-Build America Bonds) for $63.9 million less issuance costs of $0.3 million. The Build America Bonds (BABs) program is designed to improve access to the capital markets for tax-exempt borrowers. The program allows the District to issue taxable debt and receive a direct tax subsidy from the U.S. Treasury equaling 35 percent of the interest on the bonds. The Certificates are liquidated through the COP-Series Debt Service Fund from the proceeds of the capital millage levied by the District. See Note 12 of the Notes to the Basic Financial Statements for further discussion of the Certificates.

Simultaneously with the issuance of the Series 2009A-Tax-Exempt Certificates and the Series 2009A-BAB Certificates on June 17, 2009, the District privately placed the Certificates of Participation (the Certificates), Series 2009A-QSCB (Qualified School Construction Bonds) for $49.9 million less issuance costs of $0.3 million. The Series 2009A-QSCB Certificates are noninterest bearing obligations, and are issued as principal only, i.e., the principal is repaid by the District. Investors receive tax credits in lieu of interest on the bonds. The Certificates are liquidated through the COP-Series Debt Service Fund from the proceeds of the capital millage levied by the District. See Note 12 of the Notes to the Basic Financial Statements for further discussion of the Certificates.

The Tax Reform Act of 1986 requires local units of government to rebate to the federal government the income (in excess of interest costs) received from investing proceeds on substantially all tax-exempt debt issued subsequent to August 1986. Such rebate of cumulative arbitrage earnings must be paid every five years until such time as the proceeds have been expended. For the fiscal year ended June 30, 2009, the District's accrued liability for rebatable arbitrage is $3.4 million.

Annual requirements to amortize all bond issues outstanding as of June 30, 2009 excluding the Certificates are as follows (in thousands):

Year Ending June 30	Capital Outlay Bond Issue	Total Interest	Total Principal and Interest
2010	$ 6,800	$ 3,421	$ 10,221
2011	7,145	3,086	10,231
2012	7,490	2,733	10,223
2013	7,850	2,400	10,250
2014	8,250	2,010	10,260
2015-2019	23,925	5,030	28,955
2020-2024	7,775	1,289	9,064
2025-2028	1,815	180	1,995
Total	$ 71,050	$ 20,149	$ 91,199

11. DEFEASED DEBT

In prior fiscal years, the District defeased certain certificates of participation by creating a separate irrevocable trust fund. New debt was issued and the proceeds were used to purchase United States Government Securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the District's Statement of Net Assets. As of June 30, 2009, the outstanding amount of defeased debt consists of $72.8 million of the certificates of participation that were defeased in 2004.

12. OBLIGATION UNDER LEASE PURCHASE AGREEMENT- CERTIFICATES OF PARTICIPATION

The District entered into a Lease Purchase Agreement with the Corporation on June 15, 1989, and a Master Lease Purchase Agreement on July 1, 1990, (the lease agreements) to finance the acquisition or construction of certain facilities, vehicles and equipment for District operations. On June 1, 1997, May 30, 2001, February 14, 2002, February 27, 2003, May 29, 2003, March 16, 2004, June 18, 2004, June 29, 2004, May 18, 2005, June 6, 2006, March 30, 2007, June 19, 2008, and June 17, 2009, the Corporation issued refunding and new money Certificates Series 1997C, Series 2001A, Series 2001B, Series 2003A, Series 2003B (refunding), Series 2004A (refunding), Series 2004B (refunding), Series 2004C, Series 2004D, Series 2005A, Series 2005B, Series 2006A, Series 2006B, Series 2007A, Series 2008A, Series 2009A-Tax Exempt, Series 2009A-BAB and Series 2009A-QSCB in the amounts of $109.2 million, $241.8 million, $176.7 million, $209.2 million, $37.1 million, $69.9 million, $71.9 million, $110.5 million, $113.8 million, $198.1 million, $44.4 million, $202.1 million, $65.0 million, $272.6 million, $270.6 million, $20.1 million, $63.9 million and $49.9 million respectively, to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the lease agreements. Interest rates ranged from 2.0 percent to 7.4 percent.

The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created two new categories of direct subsidy debt for schools districts: The Qualified School Construction Bonds (QSCBs) and the Build America Bonds (BABs). Neither the QSCBs nor the BABs represent incremental Federal funding, both must be repaid by the District.

In June 2009, the Corporation issued Certificate Series 2009A-Tax Exempt in the amount of $20.1 million. The Series 2009A-TE was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2009A-TE is a conventional Fixed Rate issue with interest ranging from 5.0 percent to 5.25 percent.

In June 2009, the Corporation issued Certificate Series 2009A-BAB (Build America Bond) in the amount of $63.9 million. The Series 2009A-BAB was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2009A-BAB Certificates are taxable debt instruments, whereby the District receives a direct rebate payment from the Federal Government equal to 35 percent of the interest cost. The Series 2009A-BAB is a conventional Fixed Rate issue with an interest rate of 7.4 percent.

In June 2009, the Corporation issued Certificate Series 2009A-QSCB (Qualified School Construction Bonds) in the amount of $49.9 million. The Series 2009A-QSCB was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2009A-QSCB Certificates are noninterest obligations, and are issued as “principal only”, i.e. the principal is repaid by the District. Investors receive tax credits in lieu of interest on the bonds.

In June 2008, the Corporation issued Certificate Series 2008A in the amount of $270.6 million. The Series 2008A was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2008A is a conventional Fixed Rate issue with interest ranging from 3.15 percent to 5.25 percent.

In March 2008, the Corporation remarketed Series 2004D and Series 2006B. Certificates of Participation, Series 2004D and Series 2006B were both originally issued as Auction Rate Securities. The deterioration of the sub-prime mortgage market and the subsequent credit crisis that followed began to adversely impact the Auction Rate Securities market in 2007. On February 12, 2008, the School Board approved a resolution to convert the Auction Rates Securities to Variable Demand Obligations in order to save on interest costs.

In March 2007, the Corporation issued Certificate Series 2007A in the amount of $272.6 million. The Series 2007A was issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2007A is a conventional Fixed Rate issue with interest ranging from 3.5 percent to 5.0 percent.

In June 2006, the Corporation issued Certificates Series 2006A and 2006B in the amounts of $202.1 million and $65 million, respectively. Both Series were issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2006A is a Conventional Fixed Rate issue with the interest rates ranging from 4.0 percent to 5.25 percent. The Series 2006B is a Variable Rate issue. Interest is calculated at a variable rate on a weekly basis and payable weekly.

In May 2005, the Corporation issued Certificates Series 2005A and 2005B in the amounts of $198.1 million and $44.4 million, respectively. Both Series were issued to finance the cost of acquisition, construction, installation and equipping educational facilities. The Series 2005A is a Conventional Fixed Rate issue with the interest rates ranging from 3.0 percent to 5.0 percent. The Series 2005B is a Variable Rate issue. Interest is calculated at a variable rate on a weekly basis and payable monthly.

On December 20, 2000, the Corporation sold Certificates, Series 2000 Qualified Zone Academy Bonds (QZAB) in an aggregate principal amount of $6.4 million of which $4.2 million in principal will be repaid due to a guarantee investment contract. On June 28, 2001, Certificate Series 2001-QZAB were sold for $4.4 million. On December 22, 2004, the District sold Series 2004-QZAB for $1.0 million of which $848,000 in principal will be repaid pursuant to the Trust Agreement. Issuance costs incurred were $70,000, $80,000, and $56,000, respectively.

The District deposits funds annually in escrow for QZAB 2000 which, when coupled with interest earnings, will be sufficient to pay off the principal, which is due at maturity. There is no interest to be paid on the QZAB as

the certificate holders receive Federal tax credits in lieu of interest payments. The total deposits and interest earned on securities held in escrow had a market value of $4.8 million as of June 30, 2009.

The Corporation leases the facilities, vehicles and equipment to the District under the lease agreements, which are automatically renewable through varying dates (see summary below), unless earlier terminated following the occurrence of an event of default or a non-appropriation of funds to make lease payments, all as described and defined in the leases. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases, including the 1997A, 1997B, 2000 QZAB, 2001 QZAB, 2001A, 2001B, 2003A, 2003B, 2004A, 2004B, 2004C, 2004D, 2005A, 2005B, 2006A, 2006B, 2007A, 2008A, 2009A-Tax Exempt, 2009A BAB, and 2009A QSCB. The remedies on default include the immediate surrender and delivery of possession of all facilities, vehicles and certain equipment (excludes certain computer equipment) financed under all leases to the Trustee in the condition, state of repair and appearance required under the leases. Upon such surrender, the Trustee will sell or lease such facilities, vehicles and certain equipment in such manner and to such person as it determines appropriate. The proceeds of any sale or lease will be applied first to the payment in full of the Certificates and then to the payment of the District's obligations under the reimbursement agreement and finally to the payment of the District.

A summary of the lease terms are presented as follows:

Certificates	Lease Term
Series 1997A-Refunding	June 30, 2011, as to the Facilities
Series 1997B-Refunding	June 30, 2012, as to the Facilities
Series 2000 QZAB	December 20, 2013, as to the Facilities
Series 2001A-1	June 30, 2026, as to the Facilities
Series 2001A-2	June 30, 2011, as to the Facilities
Series 2001 QZAB	June 28, 2014, as to the Facilities
Series 2001B	June 30, 2026, as to the Facilities
Series 2003A	June 30, 2028, as to the Facilities
Series 2003B-Refunding	June 15, 2010, as to the Facilities
Series 2004A-Refunding	June 30, 2017, as to the Facilities
Series 2004B-Refunding	June 30, 2017, as to the Facilities
Series 2004C	June 30, 2020, as to the Facilities
Series 2004D	June 30, 2029, as to the Facilities
Series 2004 QZAB	December 22, 2020, as to the Facilities
Series 2005A	June 30, 2030, as to the Facilities
Series 2005B	June 30, 2021, as to the Facilities
Series 2006A	June 30, 2028, as to the Facilities
Series 2006B	June 30, 2031, as to the Facilities
Series 2007A	June 30, 2032, as to the Facilities
Series 2008A	June 30, 2033, as to the Facilities
Series 2009A-Tax Exempt	July 01, 2027, as to the Facilities
Series 2009A-BAB	July 01, 2034, as to the Facilities
Series 2009-QSCB	July 01, 2024, as to the Facilities

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The Series 1997A and 1997B Refunding Certificates are insured by a municipal bond insurance policy with AMBAC Indemnity. The Series 2001A, 2001B, 2004A, 2004B, 2004C, 2004D, 2005A, 2005B, 2006A, 2006B and 2008A Certificates are insured by Financial Security Assurance, Inc. The Series 2003A and 2003B Certificates are insured by Municipal Bond Investors Assurance Corporation. The Series 2007A and Series 2009A-Tax Exempt are insured by Municipal Bond Investors Financial Guaranty Insurance Company. The Series 2009A-BAB Certificates and the Series 2009A-QSCB Certificates are NOT guaranteed under the financial guaranty insurance policy.

The Certificates are not separate legal obligations of the District, but represent undivided interests in the basic lease payments to be made from appropriated funds budgeted annually by the Board for such purposes from current or other funds authorized by law and regulations of the Department of Education. However, neither the District, the State of Florida, nor any political subdivision thereof, shall be obligated to pay, except from appropriated funds, any sums due under the leases from any source of taxation. The full faith and credit of the District is not pledged for payment of such sums due hereunder and such sums do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation.

The remaining obligation, as of June 30, 2009, through maturity to the holders of the Certificates, which will be serviced by the annual lease payments, is as follows (in thousands):

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Year Ending June 30	Series 1997A	Series 1997B	Series 2000 QZAB	Series 2001A	Series 2001 QZAB	Series 2001B
2010	$ 7,690	$ 4,324	$ 351	$ 15,112	$ 368	$ 8,852
2011	7,686	4,326	351	21,387	368	8,489
2012		4,325	350	8,624	368	5,272
2013			350	8,624	369	5,272
2014				8,624		5,272
2015-2019				73,185		45,106
2020-2024				118,287		73,230
2025-2029				47,316		29,289
Subtotal	15,376	12,975	1,402	301,159	1,473	180,782
Less: Interest	(1,081)	(1,250)		(115,834)		(70,377)
Total Principal	$ 14,295	$ 11,725	$ 1,402	$ 185,325	$ 1,473	$ 110,405

Year Ending June 30	Series 2003A	Series 2003B	Series 2004A	Series 2004B	Series 2004C	Series 2004D
2010	$ 14,558	$ 5,967	$ 8,722	$ 3,699	$ 10,124	$ 4,370
2011	14,561		8,729	3,699	10,125	4,370
2012	14,561		8,725	10,509	10,141	4,358
2013	14,558		8,722	14,854	10,128	4,370
2014	14,559		8,726	15,199	10,128	4,370
2015-2019	72,799		26,170	45,599	50,549	21,924
2020-2024	72,801				6,179	66,789
2025-2029	58,241					73,731
Subtotal	276,638	5,967	69,794	93,559	107,374	184,282
Less: Interest	(100,138)	(227)	(13,154)	(21,639)	(25,549)	(70,457)
Total Principal	$ 176,500	$ 5,740	$ 56,640	$ 71,920	$ 81,825	$ 113,825

Year Ending June 30	Series 2004 QZAB	Series 2005A	Series 2005B	Series 2006A	Series 2006B	Series 2007A
2010	$ 53	$ 14,931	$ 1,778	$ 9,842	$ 2,685	$ 20,110
2011	53	14,931	1,778	9,842	2,685	20,118
2012	53	14,929	1,778	18,122	2,685	20,118
2013	53	14,931	1,778	18,118	2,685	20,113
2014	53	14,933	1,779	18,122	2,685	20,114
2015-2019	266	51,386	32,171	90,597	13,426	95,659
2020-2024	106	61,924	21,627	90,598	13,426	88,297
2025-2029		83,543		65,266	38,777	88,285
2030-2034		16,707			41,806	52,974
Subtotal	637	288,215	62,689	320,507	120,860	425,788
Less: Interest		(113,060)	(18,229)	(118,402)	(55,860)	(168,078)
Total Principal	$ 637	$ 175,155	$ 44,460	$ 202,105	$ 65,000	$ 257,710

Year Ending June 30	Series 2008A	Series 2009A T-E	Series 2009A BAB	Series 2009A QSCB	Total
2010	$ 13,046	$ 1,074	$ 4,913	$	$ 152,569
2011	13,046	1,034	4,729		152,307
2012	20,401	1,034	4,729		151,082
2013	20,405	1,034	4,729		151,093
2014	20,401	1,034	4,730	4,540	155,269
2015-2019	102,016	5,168	23,647	22,700	772,368
2020-2024	102,021	5,168	23,647	22,673	766,773
2025-2029	102,014	22,282	38,232		646,976
2030-2034	81,617		60,129		253,233
Subtotal	474,967	37,828	169,485	49,913	3,201,670
Less: Interest	(204,407)	(17,688)	(105,575)		(1,221,005)
Total Principal	$ 270,560	$ 20,140	$ 63,910	$ 49,913	$1,980,665

The Corporation entered into trust agreements with the Trustee pursuant to which the Certificates will be executed, delivered and paid under the terms of which (together with the leases) the facilities, vehicles and equipment will be acquired and/or constructed. Trust funds have been established with the Trustee to facilitate payments in accordance with the lease purchase agreement and the trust agreements securing payment of the Certificates.

13. INTEREST RATE SWAPS

The District is a party to two interest rate swap agreements that are not recorded in the financial statements. Following are disclosures of key aspects of these agreements:

A. Certificates of Participation, Series 2006B

Objective of the Interest Rate Swap – The District entered into a variable to fixed rate swap agreement for its Certificates of Participation, Series 2006B dated June 6, 2006. The objective was to achieve lower borrowing costs as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on the subject certificates.

Terms – The Swap, with a notional amount of $65.0 million, became effective on June 6, 2006. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 4.13 percent. The District will receive from the Counterparty a variable payment based on two floating rate structures: 1) from July 1, 2006 through June 30, 2009, the interest rate is based on the Bond Market Association (BMA) Municipal Swap Index; 2) from July 1, 2009 through June 30, 2031, the interest rate is based on 70 percent of the London Interbank Offered Rate (LIBOR). The swap agreement terminates on June 30, 2031.

Fair Value – The swap had a negative fair value of $12.8 million as of June 30, 2009.

Swap Payments and Associated Debt – Using rates as of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary. (dollars in thousands)

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Year Ending June 30	Series 2006B Principal	Interest Rate Interest (1)	Interest Rate Swaps, Net (2)	Total
2010	$	$ 650	$ 2,457	$ 3,107
2011		650	2,457	3,107
2012		650	2,457	3,107
2013		650	2,457	3,107
2014		650	2,457	3,107
2015-2019		3,250	12,285	15,535
2020-2024		3,250	12,285	15,535
2025-2029	25,650	3,178	12,012	40,840
2030-2031	39,350	594	2,247	42,191
Total	$ 65,000	$ 13,522	$ 51,114	$ 129,636

Notes: (1) Assumes variable interest rate of 1.00 percent (actual rate on 6/30/09).
(2) Assumes fixed swap rate (payment) of 4.13 percent and variable swap rate (receipt) of 0.35 percent.

Credit Risk – As of June 30, 2009, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap agreement contains a collateral agreement with the Counterparty. To mitigate the potential for credit risk, if a Counterparty's credit rating from either Standard & Poor's (S & P) and/or Moody's Investors Service is "A+"/A1, respectively or lower, and the fair value of the swap reaches certain threshold amounts, the swap requires collateralization of the fair value of the swap by the Counterparty with U. S. Government Securities. Collateral would be posted with a third party custodian.

Swap Counterparty Data as of June 30, 2009
(dollars in thousands)

Counterparty	Swap Notional Amount	Moody's	S&P	Swap Fair Value
JP Morgan Chase Bank, N.A.	$ 65,000	Aa1	AA-	$ (12,798)

Basis Risk – Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable Counterparty. The swap exposes the District to basis risk since the District receives a variable rate based on Securities Industry and Financial Markets Association (SIFMA) formally known as Bond Market Association (BMA) to offset the variable rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk – The District has the option to terminate the swap prior to its expiration date for any reason. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract. If the swap is terminated, the Series 2006B certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate debt. Also, if at the time of termination,

the swap has a negative fair value, the District would be liable to the Counterparty for payment equal to the swap's fair value.

B. Certificates of Participation, Series 2004D

Objective of the Interest Rate Swap – The District entered into a variable to fixed rate swap agreement for its Certificates of Participation, Series 2004D dated June 30, 2004. The objective was to lower borrowing costs as compared to issuing regular fixed rate bonds at the time, by synthetically fixing interest rates on the subject certificates.

Terms – The Swap, with a notional amount of $113.8 million, became effective on June 30, 2004. Under the terms of the swap agreement, the District will pay the Counterparty a fixed annual interest rate of 3.85 percent. The District will receive from the Counterparty a variable payment based on 67 percent of the LIBOR. The District will also pay the interest rate resulting from the periodic remarketing of the 2004D variable rate certificates. The swap agreement terminates on July 1, 2029.

Fair Value – The swap had a negative fair value of $16.5 million as of June 30, 2009.

Swap Payments and Associated Debt – Using rates as of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30	Series 2004D Principal	Interest Rate Interest (1)	Interest Rate Swaps, Net (2)	Total
2010	$	$ 1,138	$ 4,143	$ 5,281
2011		1,138	4,143	5,281
2012		1,138	4,143	5,281
2013		1,138	4,143	5,281
2014		1,138	4,143	5,281
2015-2019		5,691	20,716	26,407
2020-2024	47,925	4,896	17,822	70,643
2025-2029	65,900	2,031	7,391	75,322
Total	$ 113,825	$ 18,308	$ 66,644	$ 198,777

Notes: (1) Assumes variable interest rate of 1.00 percent (actual rate on 6/30/09).
(2) Assumes fixed swap rate (payment) of 3.85 percent and variable swap rate (receipt) of 0.21 percent.

Credit Risk – As of June 30, 2009, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap agreement contains a collateral agreement with the Counterparty. To mitigate the potential for credit risk, if a Counterparty's credit rating from either Standard & Poor's (S & P) and Moody's Investors Service is "A+"/A1, respectively or lower, and the fair value of the swap reaches certain threshold amounts, the swap requires collateralization of the fair value of the swap by the Counterparty with U. S. Government Securities. Collateral would be posted with a third party custodian.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Swap Counterparty Data as of June 30, 2009 (dollars in thousands)			
Counterparty	Swap Notional Amount	Moody's	S&P	Swap Fair Value
Citibank, N.A., New York	$ 113,825	A1	A+	$ (16,499)

Basis Risk – Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The swap exposes the District to basis risk since the District receives a percentage of LIBOR to offset the variable rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk – The District has the option to terminate the swap prior to its expiration date for any reason. The Counterparty may terminate the swap if the District fails to perform under the terms of the contract. If the swap is terminated, the Series 2004D certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate debt. Also, if at the time of termination, the swap has a negative fair value, the District would be liable to the Counterparty for payment equal to the swap's fair value.

14. COMPENSATED ABSENCES

District employees are granted a specific number of vacation days and sick leave with pay as services are rendered. Certain employees are paid for portions of sick leave accrued but not used in a fiscal year. Administrative, supervisory and noninstructional professional employees are paid for unused vacation (up to a maximum of 60 days) upon termination. All other eligible employees are paid for unused vacation (up to a maximum of 50 days) upon termination.

All employees are eligible to receive portions of accumulated unused sick pay upon retirement. Such portions are determined based upon the employee's length of service. Prior to July 1, 2004, Florida Statutes and Board policy limited retirement sick leave payments to no more than 25 percent of the sick leave accumulated on or after July 1, 2001, up to a maximum payment of 60 days. Beginning July 1, 2004, this limitation was eliminated.

At June 30, 2009, the estimated current liability for accumulated sick leave including retirement and social security contributions was $6.9 million and $0.1 million in the General Fund and Special Revenue Funds, respectively. The balance of compensated absences payable from future resources was $29.2 million for accumulated vacation leave and $127.4 million for accumulated sick leave and are only reflected in the governmental activities in the government-wide presentation. The net change between the prior year balance and the current year balance of the noncurrent portion was recorded in the government-wide statements as a current year expense.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The following is a summary of changes in the liability for compensated absences for the fiscal year ended June 30, 2009 (in thousands):

Balance - June 30, 2008		$ 167,240
Additions		90,568
Reductions		(94,189)
Balance - June 30, 2009		163,619
Less:		
Amount Due Within One Year:		
Current Portion (Modified Accrual Basis)	$ 7,009	
Non-current Portion		156,610
Other Amount Due Within One Year	10,183	
Total Due in More Than One Year		$ 146,427
Total Amount Due Within One Year (Full Accrual Basis)	$ 17,192	

15. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In the fiscal year ending June 30, 2008, the District implemented Governmental Accounting Standard Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for certain postemployment benefits including continued coverage for the retiree and dependents in the Medical/Prescription Plans as well as participation in the Dental group plan sponsored by the Employer. In addition, retirees are eligible to continue the Employer-sponsored term life insurance policy provided by the District. GASB 45's basic concept is to recognize the cost of an employee's OPEB during the period of service. As defined in the statement, a significant expense recognizing the past and future costs of providing OPEB benefits is required to be recorded annually. The requirement of this Statement was implemented prospectively, with the actuarially determined liability in the amount of $162,963,842 on January 1, 2009, being amortized over the remaining period of 29 years.

Plan Description. The Other Postemployment Benefits Plan (Plan) operates as a single-employer defined benefit plan. Eligible retirees may choose among the same Medical Plan options available for active employees of the Employer. Prescription drug coverage is automatically extended to retirees and their dependents who continue coverage under any one of the Medical Plan options. Covered retirees and their dependents are subject to all the same Medical and Prescription and life insurance benefits and rules for coverage as are active employees. Retirees and their dependents are permitted to remain covered under the District's respective medical plans as long as they pay the premium charged by the insurance companies for the plan and coverage elected. This conforms to the requirement for Florida governmental employers' provision of the Section 112.081, Florida Statutes. The premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs, that means that the District is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees, providing an implicit rate subsidy. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate under the District's Retirement Assistance Program. The District, therefore, has assumed an obligation to pay for that implicit subsidy for the covered lifetime of the current retirees and their dependents, as well for the covered lifetime of the current employees after they retire in the future. The District does not prepare a standalone financial report for the Plan, and the Plan is not included in the report of a Public Entity Retirement System or another entity.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Funding Policy. The District plans to fund this postemployment benefit on a pay-as-you-go basis. For the 2008-09 fiscal year, approximately 1007 retirees received postemployment benefits, and 136 retirees receive life insurance postemployment benefits. The District provided required employer contributions toward the annual OPEB cost in the amount of $6,288,020. In two prior fiscal years, the District set aside $4.0 million in the newly created OPEB internal fund for future OPEB funding. Plan members receiving benefits contributed $7,621,307 or .61 percent of covered payroll through their required contributions.

Annual OPEB Cost and Net OPEB Obligations. The OPEB cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The following is a summary of changes for 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 the fiscal year ended June 30, 2009, (in thousands):

		FY 2009
Annual Required Contribution (ARC)		
Normal Cost	$ 10,419	
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	6,758	
ARC		$ 17,177
Interest on Net OPEB Obligation		268
Adjustments to ARC		(231)
Annual OPEB Cost (Expense)		17,214
Less: Contributions Made		(6,288)
Net OPEB Obligation Increase		10,926
Net OPEB Obligation, Beginning of Year		6,697
Net OPEB Obligation, End of Year		$ 17,623

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009, and the two preceding years were as follows (in thousands):

Fiscal Year Ended (a)	Annual OPEB Cost (b)	Amount Contributed (c)	Percent of Annual OPEB Cost Contributed (c/b)	Net OPEB Obligation (b-c)
06/30/2007	N/A	N/A	N/A	N/A
06/30/2008	$ 11,777	$ 5,080	43.13%	$ 6,697
06/30/2009	$ 17,214	$ 6,288	36.53%	$ 17,623

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2009, was as follows (in thousands):

Actuarial Accrued Liability (a)	$	162,964
Actuarial Value of Assets (b)		0
Unfunded Actuarial Accrued Liability (a-b)	$	162,964
Funded Ratio (b)/ (a)		0.0%
Covered Payroll (Active Plan Members) (c)	$	1,249,245
Unfunded Actuarial Accrued Liability as a percentage of Covered Payroll ((a)-(b))/ (c)		13.04%

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. 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial Valuation Date	January 1, 2009
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	29 Years, Closed
Asset Valuation Method	Plan Not Funded
Investment Return Discount Rate *	4%
Assumed Rate of Payroll Growth *	4%
Healthcare Inflation Rate	Increase of 9% for First Year, Reduced by 5% Until Ultimate Rate of 4% is reached

* Includes a price inflation assumption of 3 percent.

16. RETIREMENT PLANS

Plan Description: All regular employees of the District are covered by the Florida Retirement System, a State-administered cost-sharing multiple-employer defined benefit retirement plan ("Plan"). Plan provisions 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 Plan 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 the Plan.

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or any age after 25 years of service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 3,470 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled $14 million.

The Plan also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership. The Plan's financial statements and required supplemental information are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Florida State Comptroller's Office in Tallahassee, Florida. Also, an annual report on the Plan which includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained by contacting the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida, 32315-9000.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The contribution rates for Plan members are established, and may be amended, by the State of Florida. For the fiscal year ended June 30, 2009, contribution rates were as follows:

Class or Plan	Contribution Rates	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teachers' Retirement System, Plan E	6.25	11.35
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 or plan in which reemployed.

The District's required contributions are reported in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The District's contributions to the Plan (including employee contributions) for the fiscal years ending June 30, 2009, June 30, 2008 and June 30, 2007 totaled $139.4 million, $138.6 million and $125.4 million, respectively, which were equal to the required contributions for each fiscal year.

17. RETIREMENT INCENTIVE PROGRAMS

In addition to the retirement benefits described in Note 16, the District has authorized various early retirement incentives to provide financial assistance for the purchase of health and life insurance to our retirees. Additional requirements mandate that qualified employees meet the definition of "normal retirement" according to the Plan, which includes 30 or more years of service or, at age 62, with 10 or more years.

For those eligible employees who qualify for one of the retirement incentive programs, either the Employer's Retirement Incentive Program (RIP) or the Employer's Achievement Incentive Program (RAP), listed below are brief descriptions and eligibility criteria of the various Plans:

RIP effective January 1, 1991, through December 31, 1997:

- Retired under RIP.
- Were insured under the Employer's group life insurance program on the last day before the insured's retirement.
- Are one of the following:
  - Retired after at least 30 years of service with the Employer.
  - At least 62 years of age and retired after at least 10 years of vested service with the Employer.
  - All of the following:
    - Retired on or after January 1, 1991, but before January 1, 1997.
    - Retired after at least 30 years of service with the Employer.
    - Is less than 55 years of age.

RAP effective January 1, 1998, through December 31, 2000:

- Are retired under the RAP.
- Were insured under the Employer's group life insurance program on the last day before the insured's retirement.
- Are one of the following:
  - Retired after at least 30 years of service with the Employer.
  - Are at least 62 years of age and retired after at least 10 years of vested service with the employer.

A summary of the total expenditures for the fiscal year ended June 30, 2009, is as follows (dollars in thousands):

	Number of Participants	Health Insurance*	Life Insurance	Insurance Reimbursement	Total
RIP	1	$	$	$ 1	$ 1
RAP	6	36	1		37
Total	7	$ 36	$ 1	$ 1	$ 38

* Net of Florida Retirement System subsidy if applicable.

The District will subsidize health and life insurance premiums for those qualified employees on an annual basis. The subsidies continue for 6 or 10 years or age 65, whichever occurs first. Premium costs in excess of the subsidy are borne by the participants. The District's expenditures are recognized in the fiscal year in which they are paid, and are not funded in advance on an actuarially determined basis. As of June 30, 2009, 7 employees participated in the District's retirement incentive programs.

During the 2008-09 fiscal year, the District implemented an additional RAP. There were 136 eligible employees that enrolled into the program and committed to retire on July 1, 2009.

Effective July 1, 1998, employees who have vested under the Plan may elect to participate in the State of Florida's Deferred Retirement Option Program (DROP). Under DROP provisions, a participant will have his monthly retirement benefit paid directly into DROP where it will earn tax deferred interest at an effective annual rate of 6.5 percent, compounded monthly, for up to 60 months, except for teachers who may be granted extensions of 36 months upon the Superintendent's approval. The participant may continue to work for the District until his pre-selected termination date or the end of the DROP period. At termination, the participant will receive a lump sum payment of his accumulated DROP benefits, and, thereafter, he will receive his monthly Plan benefit. As of June 30, 2009, 1,357 District employees were participants in the DROP incentive program.

18. FICA ALTERNATIVE

The District has established the FICA Alternative Retirement Plan (the FICA Plan), a defined contribution retirement plan, for certain temporary employees not covered under the Plan. Under provision of the Internal Revenue Code (IRC) section 3121(b)(7)(F), public employers could place employees not covered under existing employer pension plans into an alternative retirement plan in place of social security. The FICA Plan was established under IRC section 401(a) and requires a mandatory pretax contribution of 7.5 percent in lieu of social security. The FICA Plan is noncontributory for the District and eliminates the required match of social security contributions. Approximately 6,338 temporary employees are currently participating in the FICA Plan. For the period ended June 30, 2009, $2.8 million was contributed by participating employees based on gross wages of $37.2 million. A third party administrator administers the FICA Plan with administrative fees being paid for by the District.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

19. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Walker Elementary School Project No.P000051			
Contractor	$ 9,866	$ 1,264	$ 8,602
Blanche Ely High School Project No. P000068			
Contractor	16,346	9,340	7,006
Lanier-James Educational Center Project No. P000077			
Contractor	7,832	-	7,832
Tropical Elementary School Multi Purpose Building Project No. P000138			
Contractor	11,383	1,727	9,656
Northeast High School New Kitchen/ Cafeteria Project No. P000230			
Contractor	9,637	781	8,856
Mirror Lake Elementary School Kitchen/Cafeteria Project No. P000357			
Contractor	9,256	356	8,900
Cooper City High School - New Kitchen/Cafeteria Project No. P000385			
Contractor	13,250	5,046	8,204
Lincoln Park Elementary School "C" Project No. P000400			
Contractor	18,274	4,815	13,459
Elementary School "Z" Project No. P000847			
Contractor	25,760	22,187	3,573
Western High School Project No. P000891			
Contractor	26,595	19,277	7,318
Total	$ 148,199	$ 64,793	$ 83,406

20. RISK MANAGEMENT

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 students; and natural disasters. Worker's compensation, automobile liability, and general liability coverage are being provided on a self-insurance basis up to specified limits. The District purchases commercial insurance for certain risks in excess of the self-insurance coverage and for other risks of loss. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating and payment of claims.

The District reports the self-insurance programs in the self-insurance internal service funds (Self-Insurance Fund). Amounts are transferred from the General Fund to the Self-Insurance Fund to provide sufficient resources to cover claims incurred, to pay for the purchase of excess insurance, to pay the insurance service agent's administrative fee, and to pay for District risk management administrative costs. Settled claims resulting from risks described above have not exceeded commercial coverage for the past three years.

Health and hospitalization coverage is being provided through purchased commercial insurance. The Board offers its employees the choice from two health maintenance organizations and consumer driven model and one preferred provider organization plan.

The claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2009, using a margin for a 50 percent confidence level which differs from the 75 percent confidence level reported in prior years. With the 50 percent confidence level, the actuary is estimating the margin necessary so that there is a 50 percent likelihood that the funding level will be sufficient to cover the actual

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

liabilities. The total claims liability of $51.8 million at June 30, 2009, includes estimated losses for all reported claims and for claims incurred but not reported.

A summary of changes in the estimated liability for self-insured risks is as follows (in thousands):

	2009	2008
Balance, Beginning of Year	$ 108,789	$ 111,747
Additions:		
Estimated Future Claims		17,355
Reductions:		
Claims Payments	(18,286)	(20,313)
Estimated Future Claims	(38,706)	
Balance, End of Year	51,797	$ 108,789
Less, Portion Due Within One Year	(24,177)	
Total Due in More Than One Year	$ 27,620	

21. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds (in thousands) for the 2008-09 fiscal year:

	Total	Self-Insurance	Other Services
Total Assets	$ 56,442	$ 56,039	$ 403
Liabilities and Net Assets:			
Accounts Payable and Accrued Expenses	$ 173	$ 87	$ 86
Estimated Liability for Self-Insured Risks	51,797	51,797	
Net Assets:	-	-	-
Invested in Capital Assets	23	-	23
Unrestricted Net Assets	4,449	4,155	294
Total Liabilities and Net Assets	$ 56,442	$ 56,039	$ 403
Revenues:			
Premium Contributions	$ 44,682	$ 44,682	$ -
Charges for Services	88,344		88,344
Interest	2,000	1,991	9
Other	56,992	56,992	
Total Revenues	192,018	103,665	88,353
Total Expenses	(132,660)	(43,943)	(88,717)
Transfers In (Out)	(71,247)	(71,264)	17
Change in Net Assets	$ (11,889)	$ (11,542)	$ (347)

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

22. NET ASSETS

In the government-wide Statement of Net Assets, the difference between total assets and total liabilities is called *net assets*. GAAP further require that net assets be subdivided into three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The composition of net assets invested in capital assets, net of related debt as of June 30, 2009, is shown in the table below (in thousands):

Total Capial Assets, Net of Accumulated Depreciation		$ 3,162,693
Less:		
Total Debt Outstanding, Net of Unspent Proceeds	$ (1,647,617)	
Retainage Payable	(25,467)	
Total Related Debt		(1,673,084)
Total Invested in Capital Assets, Net of Related Debt		$ 1,489,609

23. COMMITMENTS AND CONTINGENCIES

At June 30, 2009, the District had purchase orders outstanding for goods and/or services related to future expenditures for the 2008-09 school year totaling $2.4 million in the General Fund, $1.8 million in the Special Revenue Funds and $293.5 million in the Capital Projects Funds. The accompanying financial statements do not give effect to these purchase orders.

The District has various agreements with other governmental agencies that may require the District to contribute additional financial resources, as anticipated by such agreements. Such liabilities are accrued at the time they become known to the District.

The District receives funding from the State of Florida under the FEFP and is based in part on a computation of the number of students attending different types of instruction (FTE Computation). The accuracy of data compiled by individual schools supporting the FTE Computation is subject to audit by the State and, if found to be in error, could result in refunds to the State or in decreases to future funding allocations. Additionally, the District participates in a number of federal, state and local grants, which are subject to financial, and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the State due to errors in the FTE computation or the amount of grant expenditures, which may be disallowed by grantor agencies, would not be material to the financial position of the District.

The District is a defendant in numerous lawsuits as of June 30, 2009. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with its legal counsel, that the final settlements of these matters will not have a material adverse effect on the financial condition, changes in financial position, cash flows or changes in fund balance of the affected funds.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE BASIC FINANCIAL STATEMENTS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

24. SUBSEQUENT EVENT

On November 2, 2009, the School Board of Broward County, Florida, issued $100.0 million Tax Anticipation Notes, Series 2009, pursuant to Section 1011.13, Florida Statutes, to provide interim funds for the expenses of the District incurred in operating the District schools for its fiscal year ending June 30, 2010, and to pay expenses incurred in issuing the Notes. The Notes and the interest thereon will be special obligations of the District, payable from and secured by a pledge of the ad valorem taxes levied and collected for the benefit of the District during its current fiscal year. The Notes are being sold via private sale to Bank of America, N.A., and the Notes interest rate will not exceed the interest rate limitation contained in Section 215.84 Florida Statutes. The issuance costs and net interest expense are anticipated to be in the amount of $131,500. The Notes interest rate is 0.9 percent and the date of maturity is on January 4, 2010. The Notes are not subject to redemption prior to maturity.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (in thousands)
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	BUDGET			VARIANCE
	ORIGINAL	FINAL	ACTUAL	Positive (Negative)
SOURCES/INFLOWS:				
Revenues:				
Local sources:				
Ad valorem taxes	$ 958,080	$ 958,818	$ 961,492	$ 2,674
Interest on investments	24,747	8,544	9,170	626
Other	43,379	58,370	58,162	(208)
Total local sources	1,026,206	1,025,732	1,028,824	3,092
State sources:				
Florida education finance program	522,981	486,869	486,418	(451)
Discretionary lottery funds	10,669	6,608	6,608	-
Categorical programs and other	361,328	365,078	365,046	(32)
Total state sources	894,978	858,555	858,072	(483)
Federal sources:				
Grants and other	8,882	10,463	10,620	157
Total federal sources	8,882	10,463	10,620	157
Total revenues	1,930,066	1,894,750	1,897,516	2,766
Other financing sources				
Capital lease	-	5,222	5,222	-
Transfers in	74,466	177,611	177,611	-
Total other financing sources	74,466	182,833	182,833	-
Total amounts available for appropriations	2,004,532	2,077,583	2,080,349	2,766
USES/OUTFLOWS:				
Expenditures:				
Current operating:				
Instructional services	1,326,445	1,335,822	1,333,656	2,166
Instructional support services	199,649	210,792	201,381	9,411
Pupil transportation services	66,331	88,680	86,916	1,764
Operation and maintenance of plant	269,289	248,243	247,702	541
School administration	138,016	132,246	131,921	325
General administration	104,299	113,205	107,445	5,760
Total current operating	2,104,029	2,128,988	2,109,021	19,967
Debt service:				
Interest charges and other	3,436	3,436	2,300	1,136
Total debt service	3,436	3,436	2,300	1,136
Capital outlay	687	646	-	646
Total expenditures	2,108,152	2,133,070	2,111,321	21,749
Other financing uses:				
Transfers out	5,310	5,550	2,335	3,215
Total charges against appropriations	2,113,462	2,138,620	2,113,656	24,964
Net change in fund balances	$ (108,930)	$ (61,037)	(33,307)	$ 27,730
Appropriated beginning fund balances	$ 108,930	$ 61,037		
Adjustment to conform with GAAP:				
Elimination of encumbrances			2,365	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses (GAAP Basis)			(30,942)	
Fund balance, beginning of year			115,899	
Fund balance, end of year			$ 84,957	

The accompanying notes are an integral part of this schedule.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
1/1/2006	$	$ 105,622	$ 105,622	n/a	$ 1,141,485	9.25%
1/1/2009	$	$ 162,964	$ 162,964	n/a	$ 1,249,245	13.04%

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

I. BUDGET

Budget Information. GASB 34 requires governments to include as RSI, budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted budget. As of June 30, 2009, none of the District's special revenue funds qualified as a major fund.

Budgets are legally adopted annually for the General Fund. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward, if applicable, to the following year for the General Fund and closed after a six-month period. Management may not amend the budget without the specific approval of the School Board. Accordingly, no expenditure may be authorized and no obligation incurred in excess of the current budgetary appropriation without Board authorization. The budgetary basis of accounting is the modified accrual basis plus encumbrances authorized for the fiscal year.

The budget revenues and expenditures shown in the accompanying schedule reflect all amendments to the original budget through September 3, 2009, the date the final amendments were approved by the Board.

II. EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

The following table presents a reconciliation of the differences between the budgetary and GAAP basis of accounting (in thousands):

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 2,080,349
Transfers from other funds and sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(182,833)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 1,897,516
Uses/outflows of resources:	
Actual amounts (budgetary basis) "Total charges to appropriations" from the budgetary comparison schedule	$ 2,113,656
Transfers from other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,335)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (budgetary basis)	2,111,321
Encumbrances for goods and services are reported in the year the purchase order, contract or commitment for expenditures is initiated; but expenditures are reported in the year that goods and services are received or delivered for financial reporting purposes	(2,365)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance (GAAP)	$ 2,108,956

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BROWARD 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)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	$ 11,635,506.25	$
National School Lunch Program	10.555	300, 350	43,333,354.47	
Summer Food Service Program for Children	10.559	323	797,501.48	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	4,850,470.57	
Total United States Department of Agriculture			60,616,832.77	
United States Department of Labor:				
Indirect:				
Workforce One Employment Solutions:				
WIA Youth Activities	17.259	None	725,745.52	
Broward College:				
Community Based Job Training Grants	17.269	None	210,246.92	
Total United States Department of Labor			935,992.44	
United States Department of Transportation:				
Indirect:				
Florida Department of Transportation:				
Highway Planning and Construction	20.205	None	87,498.29	
National Aeronautics and Space Administration:				
Indirect:				
National Science Teachers Association:				
Aerospace Education Services Program	43.001	None	1,980.00	
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	146,528.00	
Federal Pell Grant Program	84.063	N/A	2,769,353.00	
Total Student Financial Assistance Cluster			2,915,881.00	
Magnet Schools Assistance	84.165	N/A	47,119.28	
Safe and Drug Free Schools and Communities - National Program	84.184	N/A	1,661,734.83	
Fund for the Improvement of Education	84.215	N/A	3,087,906.99	
Foreign Language Assistance	84.293	N/A	218,961.28	
Transition to Teaching	84.350	N/A	653,552.83	
Early Reading First	84.359	N/A	856,740.57	
School Leadership	84.363	N/A	223,815.50	
Total Direct			9,665,712.28	
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	262, 263	53,490,861.65	
Special Education - Preschool Grants	84.173	266, 267	1,640,410.72	
Total Special Education Cluster			55,131,272.37	
Adult Education - Basic Grants to States	84.002	191, 193	3,269,824.02	
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	64,756,619.76	
Migrant Education - State Grant Program	84.011	217	253,887.21	
Career and Technical Education - Basic Grants to States	84.048	151, 161	4,315,386.33	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	1,121,217.52	
Education for Homeless Children and Youth	84.196	127	149,317.44	
Tech-Prep Education	84.243	157	15,407.02	
Charter Schools	84.282	298	2,684,769.38	2,684,769.38
Twenty-First Century Community Learning Centers	84.287	244	2,800,244.49	
State Grants for Innovative Programs	84.298	113	391,397.22	
Education Technology State Grants	84.318	121	461,205.44	
Reading First State Grants	84.357	211	3,109,103.61	
English Language Acquisition Grants	84.365	102	4,322,154.82	
Improving Teacher Quality State Grants	84.367	224	10,189,296.59	
School Improvement Grants	84.377	126	28,257.74	
Total Indirect			152,999,360.96	2,684,769.38
Total United States Department of Education			162,665,073.24	2,684,769.38

BROWARD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
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)	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (3)	N/A	$ 14,155,186.60	$
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	N/A	569,631.89	
Total Direct			14,724,818.49	
Indirect:				
CCDF Cluster:				
Early Learning Coalition of Broward County, Inc.:				
Child Care and Development Block Grant	93.575	None	1,085,633.01	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	103,450.24	
Total CCDF Cluster			1,189,083.25	
Florida Department of Education:				
Refugee and Entrant Assistance - Discretionary Grants	93.576	137	547,678.03	
Florida Department of Children and Families:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	366,309.22	
Total Indirect			2,103,070.50	
Total United States Department of Health and Human Services			16,827,888.99	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	6,986,469.27	
Florida Division of Emergency Management:				
Hazard Mitigation Grant	97.039 (2)(B)	None	2,552,515.19	
Florida Department of Law Enforcement:				
Homeland Security Grant Program	97.067	None	131,738.34	
Total United States Department of Homeland Security			9,670,722.80	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	1,229,159.50	
Air Force Junior Reserve Officers Training Corps	None	N/A	191,098.66	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	125,823.05	
Navy Junior Reserve Officers Training Corps	None	N/A	229,864.22	
Total United States Department of Defense			1,775,945.43	
Total Expenditures of Federal Awards			$ 252,581,933.96	$ 2,684,769.38

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) Hazard Mitigation Grant. Represents the Federally-paid portion of emergency shelter generators totaling $836,673.92 and Federally-paid installation costs of $1,715,841.27.
(3) Head Start. Expenditures include $2,682,837.23 for grant number/program year 04CH0314/32 and $11,472,349.37 for grant number/program year 04CH0314/33.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Broward 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 aggregate discretely presented component units, as described in our report on the Broward County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,

David W. Martin, CPA
March 29, 2010

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 Broward 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, 2, and 3.

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 preceeding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as defined below.

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 deficiency in internal control over compliance discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2 to be a significant deficiency.

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 the Federal Awards control deficiency discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

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 29, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	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 *Circular A-133*?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Student Financial Assistance Cluster (CFDA Nos. 84.007 and 84.063); Career and Technical Education (CFDA 84.048); Fund for the Improvement of Education (CFDA 84.215); and Disaster Grants – Public Assistance (CFDA 97.036)
Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Fraud Policy

The District has an internal audit division and a special investigative unit whose Web sites have links to a fraud hotline and an anonymous tip program. In addition, District personnel noted Board policies and employee disciplinary guidelines that the District established for communicating and reporting known or suspected fraud. While these require a drug-free workplace, self-reporting rules for employee arrest, and a code of conduct for administrators, they do not clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences of fraudulent behavior. Effective fraud policies are necessary to educate employees about the proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputation of persons suspected of fraud but subsequently found innocent. Furthermore, in the absence of adequate policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authorities.

Recommendation: To aid in the detection and prevention of fraud, the District should enhance its policies for reporting known or suspected fraud to the appropriate authorities.

Finding No. 2: Audit Committee

The District has an audit committee that consists of 12 members who are appointed by each of the 9 Board members, the Superintendent, the District Advisory Committee, and the Broward County Council of Parent Teacher Association. The audit committee performs advisory functions, such as reviewing financial reports and preparing appropriate commentary to assist the Board in interpreting these reports; reviewing the annual audit plan and all reports from the Chief Auditor; participating in the selection of independent auditing firms; and monitoring corrective action for internal and external audit recommendations.

The audit committee is governed by its bylaws; however, our review of the committee's bylaws and its membership for the 2008-09 fiscal year disclosed that certain bylaws did not provide proper guidance regarding the officer election process. Article III, Section 3 of the bylaws provides that the chairman and vice chairman shall serve a two-year term, with the option of continuing in this position; however, this provision conflicts with Article IV, Section 2 of the bylaws, which provides that the officers shall be elected annually. In addition, we noted that, as of June 30, 2009, the chairman had served in that position continuously since March 1999, and during the 2007-08 and 2008-09 fiscal years, there were no elections to select the chairman or the vice chairman. Well-defined bylaws should clearly establish requirements for the terms and election process for officers.

Recommendation: The District should revise its audit committee bylaws to clarify the terms and election process of officers.

Finding No. 3: Diplomas

We reviewed student graduation and diploma processing for two high schools and one technical center. The District issued 1,957 diplomas to graduates of those schools and center during the 2008-09 fiscal year. Our review disclosed the following:

- There was an inadequate separation of duties over the ordering and receipt of diplomas. Registrars at the two high schools submitted orders containing information such as student names and diploma types to the printing company, received the completed diplomas, and provided the diplomas to other school staff for distribution at graduation to the students. However, no one independently verified that the diplomas ordered agreed with those received and were only printed for eligible graduates. Without an independent review process in place, there is an increased risk that errors or fraud could occur and not be timely detected.
- Guidance counselors at one of the high schools were responsible for reviewing student records for high school seniors to determine which students did not meet the eligibility requirements to graduate and notifying the registrar. Those students that the guidance counselors deemed ineligible did not receive diplomas; however, no one independently reviewed the student records to verify that the guidance counselors' conclusions were correct. Absent an independent review, at least on a test basis, there is an increased risk of issuance of diplomas to ineligible students.
- Based on responses to our inquiries, the registrars at the high schools also placed orders for blank diplomas that were imprinted with the necessary information and signatures except for the student's name. These diplomas were ordered for instances when the names were misspelled or the diploma was damaged prior to issuance. Although the blank diplomas were received by the registrar and securely stored, until needed, there were no records maintained to account for the number of blank diplomas ordered, issued, and on hand. In addition, there were no records maintained to document the disposal of blank diplomas once the record retention period had expired.

The above control deficiencies occurred mainly because of the lack of communication or written guidance requiring adequate separation of duties, independent verification of student eligibility for graduation, proper control and issuance of diplomas, and timely disposal of unused diploma forms.

Recommendation: The District should enhance procedures to ensure that diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation.

Finding No. 4: Decentralized Collections

District personnel collect moneys at various locations throughout the District and then remit these moneys to the Treasurer's Office (Office) for deposit in the bank. Effective controls over collections require timely transfers from decentralized locations to the Office, and timely deposit of collections in the bank.

For the 2008-09 fiscal year, collections totaled approximately $2.8 million from various decentralized locations selected for review, such as the Transportation, Benefits, and Certifications departments. Our test of 30 collection transactions disclosed 7 collections, totaling $525, for teacher certifications and 1 collection, totaling approximately $2,800, from the surplus auction that were transferred to the Office between 31 to 87 days after the date of collection. District employees indicated that the collections were held until certification applications were completed or surplus items were obtained to avoid issuing a refund, resulting in the delayed transfers. However, when transfers are untimely, there is an increased risk that errors or fraud could occur and not be detected timely. District personnel

further indicated that, effective December 2009, collections for teacher certifications are being transferred more timely because the collections are no longer being held until certifications are completed.

Recommendation: The District should strengthen internal controls over collections to ensure that daily collections from all decentralized collection points are transferred to the Treasurer's Office and deposited in a timely manner.

Finding No. 5: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique number for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, causing them financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that, if the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement.

District personnel indicated that the District collected SSNs from employees for various purposes, such as retirement contributions, withholding taxes, and background checks. The District also collects SSNs from students during the registration process. Because District personnel were unaware of the above requirements, the District had not evaluated the reasons for its collection of SSNs or prepared written statements notifying employees, parents or guardians, and students of the purpose of the collection of the numbers. District personnel informed us that SSN collection policies were in draft form, as of January 2010, awaiting approval from the District's general counsel prior to submission to the Board for approval. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should improve its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.

Finding No. 6: Overtime Payment Monitoring

During the 2008-09 fiscal year, the District paid approximately $11.1 million to employees for overtime. The District provides for overtime payments to employees for hours worked in excess of the normal day as authorized by Board Policy 4300.1 and by Board-approved employee contracts. These payments can relate to employees who work more than one job with the District such as those who work as custodial employees and bus operators, and overtime payments were mainly to employees who had second jobs with the District. However, as similarly noted in our report No. 2007-164R and discussed below, controls over overtime payment monitoring could be enhanced.

While the District has overtime reports that department heads and supervisory staff can review, no Board policy or District procedure requires the review and analysis of these reports. Our review disclosed that 8 of the 20 employees, paid the highest amount of overtime during the 2007-08 and 2008-09 fiscal years, were paid overtime in both of these fiscal years. We noted that payments made during the 2008-09 fiscal year for 5 of the 8 employees were paid for 50 to 207 hours ($2,200 to $9,000) of overtime in excess of the amount paid to those same employees in the 2007-08 fiscal year, although total overtime payments for all employees had decreased by 34 percent from the 2007-08 fiscal year. In addition, 5 of 8 employees (including 3 of the 5 employees paid in excess of the overtime they received during the 2007-08 fiscal year) were paid 80 percent or more above their base annual salary for the 2008 calendar year. We further noted that District records did not evidence that an analysis was performed to determine the reasons for these deviations from typical overtime trends.

Pursuant to Title 29, Section 778.115, Code of Federal Regulations, an employee paid on an hourly basis who performs two or more different kinds of work for the same employer, each with different pay scales, may be paid on the basis of the employee's regular rate calculated as the weighted average hourly rate earned during the week. In the alternative, under Title 29, Section 207(g)(2), United States Code, such an employee may agree with the employer in advance to be paid overtime for the type of work that is performed during the overtime hours. We noted that employees who work more than one job are paid overtime at their first job rate, even when the overtime relates to the second job, contrary to the above-cited Federal laws. For example, 1 of the 8 employees noted above worked a second job as a bus operator with a salary rate of $12.96 per hour; however, in calendar year 2008, this employee's overtime payment was based on the first job rate.

The District's Chief Auditor noted similar issues during a review of overtime payments for the third quarter of the 2008-09 fiscal year. When overtime is not effectively monitored, there is an increased risk that errors, waste, or fraud may occur and not be timely detected. Properly developed policies or procedures could establish guidance requiring department heads and supervisory staff to review and consider the reasonableness of overtime services and related charges.

Recommendation: Given the amount of overtime expenditures incurred, the District should enhance management controls to require overtime and staffing analyses to ensure the most cost effective use of human resources. In addition, the District should review its methods of paying overtime to ensure that the proper rates are used for overtime payments.

Finding No. 7: Salary Overpayments

During the 2008-09 fiscal year, the District incurred approximately $1.4 billion in salary expenditures. While the District has procedures in place to perform supervisory review and approval of salary payments, errors associated with employee terminations, leaves of absences, and changes in pay led to salary overpayments of approximately $1.14 million for the 2008-09 fiscal year. Since our 2005-06 fiscal year audit, the District reduced the amount of salary overpayments and created, within the payroll department, a division dedicated to the collection of overpayments. During the 2008-09 fiscal year, the District recovered salary overpayments relating to the current and previous fiscal years of approximately $1.2 million. However, the total uncollected balance as of January 12, 2010, was approximately $1.6 million, which includes approximately $1 million that is considered expired based on the statute of limitations of two years. Enhancements in controls over salary payments, including a more detailed supervisory review and approval of such payments, may reduce the risk that errors or misappropriations, should they occur, may not be detected and corrected timely. Similar findings were noted in our report Nos. 2005-020 and 2007-164R.

Recommendation: The District should enhance procedures in the payroll processing function to further reduce the risk of future salary overpayments and continue collection efforts for prior salary overpayments.

Finding No. 8: Enterprise Resource Planning (ERP) Implementation and Consultant Services

In May 2006, the District entered into a contract, not to exceed $30.5 million, with a company to assist with the implementation, occurring in several phases, of an ERP system. The task order for the first phase, dated February 2007, included the human resource and payroll function and had an original cost of $16.9 million with an original planned implementation date of January 29, 2008. Subsequently, the District delayed implementation of the first phase by 22 weeks, and the Board approved an increase in the contract price by $2.7 million for additional consulting services that the District would pay upon implementation of the system on July 1, 2008.

Although District personnel implemented the system on July 1, 2008, they continued to issue work orders for consulting services relating to the human resources and payroll function through June 30, 2010. During the 2008-09 fiscal year, the District paid the company approximately $9.7 million ($9.3 million related to Board-approved contracted services and $450,000 related to the additional work orders) for certain support services, and additional configuration changes to the system for payroll payments and accounting entries to the general ledger. In December 2009, the District issued a work order for the company to provide three consultants from December 14, 2009, through June 30, 2010, at hourly rates ranging from $225 to $260 per hour for a total estimate of $87,760. District personnel indicated that although some knowledge transfer has occurred during implementation, the District's employees did not have the skill set necessary to configure the necessary changes in the human resources and payroll system so the District will always require some type of consultant help relating to the system. However, District records did not evidence a determination of whether it would be more cost beneficial to employ staff members with the expertise to maintain the new ERP system, to continue paying for the consultative services, or to competitively select a different firm to provide the consulting services. Absent such a determination, there is an increased risk that the District could incur excessive costs to maintain the system.

Recommendation: The District should determine the most cost effective means of acquiring the expertise necessary to maintain the new ERP system.

Finding No. 9: Purchasing Cards

The District established a purchasing card program, which gives employees the convenience of purchasing items without using the standard purchase order process. Purchasing cards were designed to handle and expedite small orders in an efficient manner with a significant reduction in overhead cost. The District issued purchasing cards to approximately 1,950 employees as of May 2009; however, due to budget cuts, the District reduced credit limits to $1 for 1,841 of these cards so that they are, in effect, inactive, although the limits can be temporarily increased as needed (the District is assessed no annual fee for these cards). The 109 cards that have limits above $1 are assigned mainly to school administrators and the Physical Plant Operations Division. During the 2008-09 fiscal year, purchasing card charges totaled approximately $16.9 million.

The District appointed a card administrator and developed a comprehensive purchasing card manual that addressed management controls over purchasing cards. Our tests of documents and transactions for purchasing card usage disclosed that improvements in controls over the purchasing card system were needed, as follows:

- The purchasing card manual prohibits purchases of capital asset items and school internal fund goods or services. However, our test of 30 transactions disclosed 7 prohibited purchases consisting of 3 capital asset purchases totaling $93,522 (including two care assist beds, a pool heater, and a cooling system) and 4 school internal fund purchases totaling $1,035 (including decorative plants, wool berets, toaster oven and microwave, and various food items). By purchasing capital assets with a purchasing card, District personnel may overlook recording the item in the District's subsidiary capital asset records (see further discussion in Finding No. 10). Also, school internal fund purchases using a purchasing card increases the risk that District's budgetary funds may not be reimbursed by the internal funds.
- Documentation supporting 4 of the 30 transactions did not evidence supervisory review and approval of purchases made by principals or directors. Absent such supervisory review and approval, unauthorized purchases may be made without timely detection.
- Our comparison of card usage to purchasing limits for 10 cardholders with monthly purchasing limits ranging from $25,000 to $500,000 disclosed that for 5 of the cardholders, the monthly purchasing limit exceeded the actual annual activity by $15,000 to $82,000. For the remaining 5 cardholders, the monthly purchasing limit exceeded the average monthly activity by $163,000 to $372,000. District personnel indicated that higher purchasing limits are assigned to Physical Plant Operation employees to cover emergency purchases that may be necessary to maintain the District's facilities. However, District records did not evidence any procedures to ensure that the limits were reasonable in comparison to actual card usage. Without adequate monitoring procedures over the purchasing limits of each card, there is an increased risk of card misuse.

Our review of 17 purchasing card cancellations disclosed 11 purchasing cards cancelled by the bank between 6 and 188 days after the employee terminated employment. In addition, the District did not maintain records evidencing that the cards were timely destroyed upon cancellation. According to the District, once the purchasing card administrator is notified of an employee's termination or the need to cancel the purchasing card, the bank is then notified. On certain occasions, the department supervisor will destroy the card and send it to the administrator or the administrator will pick up the card and destroy it later; however, District procedures did not ensure timely cancellation and destruction of the cards. Without such controls, unauthorized charges may occur without timely detection.

Recommendation: The District should enhance controls over its purchasing card program to ensure compliance with the District's purchasing card manual, including timely supervisory approval of charges, monitoring of credit limits, and timely cancellation of purchasing cards upon employees' termination of employment.

Finding No. 10: Tangible Personal Property

As similarly noted in our report Nos. 2005-020 and 2007-164R, improvements were needed in internal controls over tangible personal property (furniture, fixtures, and equipment; assets under capital lease; audio visual equipment; and motor vehicles). The District reported approximately $365 million of tangible personal property at June 30, 2009. The Office of the Chief Auditor (OCA) performs significant management functions in the area of tangible personal property, including performing physical inventories, reconciling physical counts to property records, and permanently marking property items.

Chapter 274, Florida Statutes, and Department of Financial Services Rule 69I-73.005, Florida Administrative Code, establish the control procedures and record requirements necessary to achieve accountability for tangible personal property. However, our review of the District's asset management records and related controls over property disclosed deficiencies, as discussed below.

Inventory and Tagging of Property:

- During the 2008-09 fiscal year, physical inventories of the District's tangible personal property were only completed for approximately $114 million of the total $365 million of tangible personal property. In response to our inquiry, OCA personnel cited lack of staffing as the reason for the District's inability to comply with the annual inventory requirements.
- Our tests of 22 property items purchased during the 2008-09 fiscal year and selected for physical observation disclosed 11 items costing $126,474, that were not tagged, as follows:
  - Three items, totaling $10,424, were for audio visual equipment. District personnel indicated that the same accounting code was used for all audio visual items, regardless of cost, making it difficult to ensure that applicable equipment was added to the property records.
  - Four items (computer, printer, folding bench, and furniture), totaling $22,528, purchased from October 2008 through March 2009, were assigned property numbers. However, at of the time of our review in July 2009, OCA personnel had not been to the applicable locations to conduct the physical inventory, so the tags had not yet been affixed to the items.
  - Four items purchased with a purchasing card (two care assist beds, a pool heater, and a cooling system), totaling $93,522, were not included in the property records and therefore had not been assigned property tags.
- The serial number field is a required field for schools and departments to complete when recording receipt of property items into the system; however, serial numbers were not always entered into the records. Property items will not be tagged by the OCA unless the serial number entered online matches the serial number on the property item to ensure the tag is placed on the correct item. A report generated by OCA personnel on January 26, 2010, indicated that 2,264 property items, acquired from April 1962 through October 2009 with acquisition costs totaling approximately $19.3 million, did not have serial numbers entered into the system. The report included 183 items that were acquired from July 2008 through October 2009 with acquisition costs totaling $644,324. Lack of detailed property records and untagged items limit the effectiveness of controls over tangible personal property should a loss or theft occur.

Disposals and Deletions of Property:

- During the 2008-09 fiscal year, the District declared property with acquisition costs totaling approximately $42 million as surplus. Effective controls over the surplus property process is necessary to ensure lawful disposal and accountability for any proceeds from such disposals. However, our review of 15 surplused items disclosed:
  - Surplus Declaration forms for 3 items did not include authorized approval signatures.
  - Transfer forms attached to the Surplus Declaration forms for 11 items did not itemize the property items being picked up, so it was not evident, of record, whether these 11 items were picked up for disposal.
  - Transfer forms for 2 items were not attached to the Surplus Declaration forms, so it was not evident, of record, whether these items were picked up for disposal.
  - The manner of disposition (sold, donated, cannibalized, scrapped, etc.) was not documented in the property records for these 15 items.

Recommendation: To improve accountability and safeguarding of the District's assets, the District should strengthen procedures to provide for complete annual physical inventories of all tangible personal property, prompt tagging of items upon receipt, timely updating of all necessary fields in the individual property records for acquisitions and dispositions, and monitoring of surplus property.

Finding No. 11: Annual Facility Inspections

Section 1013.12, Florida Statutes, requires that each district school board provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the rules of the State Board of Education. In addition, fire-safety inspections are required to be performed annually by persons certified by the Division of State Fire Marshal to be eligible to conduct fire-safety inspections in public and ancillary plants. During our review of the 2008-09 fiscal year safety inspections reports issued for 18 schools and 2 centers, we noted instances in which 7 to 191 deficiencies cited in the safety inspection reports remained uncorrected up to 14 years. The deficiencies included lack of explosion proof detectors, missing or broken smoke detectors, not enough exits, and not enough ventilation. Failure to timely correct deficiencies results in an increased risk that facilities could become unsafe for occupancy and could result in additional costs in the future. A similar finding was included in our report Nos. 2005-020 and 2007-164R.

For each facility, the inspector completed a comprehensive safety inspection report that recorded the types of deficiencies, locations, estimated costs, and prioritization, and this information was provided to the Maintenance Department for follow-up. Work orders cited in connection with current deficiencies on the inspection reports had a status of either "corrected" or "canceled" in the work order system. However, as similarly noted in our report No. 2007-164R, our review disclosed discrepancies between information on work orders and on inspection reports. Specifically, our review of 41 work orders disclosed 6 that had completion dates prior to the initial inspection date per the inspection report. District personnel indicated these 6 exceptions may have occurred because deficiencies are sometimes corrected prior to the inspection but then may reoccur by the time of the inspection. District personnel also indicated that sometimes the deficiency was corrected, but the inspector was possibly unable to verify that it was corrected, so the item remains on the inspection report. Per the safety inspection reports, re-inspections were conducted about five to seven months after the initial inspection. While 4 of the 6 discrepancies noted above were resolved, 2 remained open for 208 days after the date of initial inspection. Without timely resolution of discrepancies between work orders and inspection reports, the risk is increased that facilities may continue to be unsafe for use.

Recommendation: The District should enhance procedures to ensure that deficiencies noted in inspection reports are timely corrected, and discrepancies between information on work orders and inspection reports are timely resolved.

Finding No. 12: Information Technology – Security Awareness

A comprehensive security awareness training program apprises new employees of, or reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and information technology (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 new employees to sign an acknowledgement when hired that they had read and understood the District's security policies, there was no comprehensive security awareness training program to facilitate employees' ongoing education and training on security responsibilities, including password security and strengthening techniques; acceptable or prohibited methods for storage and transmission of confidential data; physical security over workstations, personal digital assistants, and laptops; malicious software; and virus threats. Additionally, although contractors were required to read the District's security policies, they were not required to acknowledge in writing their understanding and acceptance of the policies.

The District's failure to implement a comprehensive security awareness training program increases the risk that the District's IT resources could be intentionally or unintentionally compromised by employees or contractors while performing their assigned duties.

Recommendation: The District should promote security awareness through a comprehensive training program to ensure that its employees and contractors are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees and contractors to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

Finding No. 13: Information Technology – Timely Removal of Access Privileges

Effective IT access controls include provisions to timely remove employee access privileges when employment terminations occur. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others.

The District relies on departmental action within the Enterprise Resource Planning business application to initiate an automated process that removes functional access. Our review of access privileges for ten employees who terminated employment from July 1, 2008, through April 1, 2009, disclosed that three of the ten former employees retained access from 40 to 127 days after the employees' termination dates. In response to our inquiry, District management indicated that the departments do not always provide notification of employee terminations to allow for timely initiation of the automated process and that the three employees noted above had never signed on to the business application. Although the specific circumstances noted in our testing did not result in any inappropriate activity, the District is exposed to a greater risk of unauthorized disclosure, modification, or destruction of District data and IT resources when it does not timely terminate the IT access privileges of former employees.

Recommendation: The District should strengthen its procedures to ensure the timely removal of access privileges of former employees.

Finding No. 14: Information Technology – Management of Access Privileges

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls include the establishment of access privileges that are based on an employee's demonstrated need to view, change, or delete data. Further, effective access controls provide employee access privileges that are established to restrict employees from performing incompatible functions or functions outside of their area of responsibility. Our audit disclosed instances of inappropriate or unnecessary access privileges, as described below:

- The District had 22 user accounts (i.e., 11 individual, 9 service, and 2 vendor accounts) with Windows domain administrator rights. Best practice suggests that accounts with Windows domain administrator rights be limited to only those personnel performing the network administrator function.
- Nineteen employees within the ERP application project team were granted high levels of finance and accounting access that allowed them to perform end-user functions not associated with their specified job positions. In response to our inquiry, District management indicated that they have removed the access for 9 of the 19 employees.
- Seventeen employees within the ERP application project team had full security administrator rights allowing them the capability to change functional user access. In response to our inquiry, District management

indicated that they have removed access for 10 of the 17 employees, leaving 7 employees with the ability to manage user access to the ERP application. Best practice suggests that the security administration capabilities be restricted to a limited number of personnel whose responsibilities are to manage user system access.

- Twenty-four employees within the ERP application project team had table and dictionary maintenance capabilities that allowed update capabilities to the application data elements. Best practice suggests that access capabilities to update application data elements be restricted to database administrators or a similar position such as the ERP basis administrators. In response to our inquiry, District management indicated that they have removed the access for 9 of the 24 employees, leaving 15 employees with the ability to maintain the ERP data elements. However, the 15 employees appears to be an excessive number of employees to have such access, and for some of these employees it appears that access is unnecessary based on their assigned job duties.
- Thirty-one accounts had been granted the superuser authorization (SAP_ALL) that provided the ability to perform all tasks in the system. Best practice guidelines suggest that the superuser authorization be restricted to as few accounts as possible and, if possible, not assigned to any specific personnel.

We noted that the District had compensating controls in place (e.g., separation of the duties of initiating and approving purchases and payroll updating and processing; purchase requisitions being subject to budgetary availability controls in the ERP system; department supervisor monitoring of budget and actual expenditures) to minimize the effect of the deficiencies noted above. However, the above-described instances of inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

The above-described instances of inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access privileges as detected to minimize the risk that the access privileges could be used to compromise District data or IT resources.

Finding No. 15: Information Technology – Security Controls – User Authentication, Software Management, and Protection of Portable Storage Media

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication, software management, and protection of portable storage media that 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 its security controls related to user authentication, software management, and protection of portable storage media to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Finding No. 16: Information Technology – Policies and Procedures

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.

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

- Revoking access privileges for consultants and vendors, and removing confidential information from their equipment, following the conclusion of contract terms.
- Routine monitoring of application and network security logs.

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.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Agriculture and United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559); Career and Technical Education (CFDA No. 84.048); Fund for the Improvement of Education (CFDA No. 84.215)
Finding Type: Noncompliance
Questioned Costs: Unknown

Allowable Cost/Cost Principles - Insurance Program Transfer. Attachments A and B of Office of Management and Budget *Circular A-87* establish cost principles to be applied and guidance for determining allowable costs and applicable credits to Federal awards. Section 22.d.5. of Attachment B provides that whenever funds are transferred from a self-insurance reserve to other accounts (e.g., General Fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer. Section C of Attachment A specifies that, to be allowable costs under a grant program, the costs must be net of all applicable credits. This section defines applicable credits as receipts or reductions of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs, including insurance refunds or rebates.

The Board provides for workers' compensation insurance benefits through its self-insurance plan accounted for in an internal service fund. The costs of premiums incurred by the District for these employee benefits are allocated to the various District programs (Federal and non-Federal) based on the number of participating employees in the various programs.

During the 2008-09 fiscal year, the District transferred $60.3 million of the net assets of the internal service fund to the General Fund for general operating purposes, which effectively offset costs previously charged for workers' compensation insurance benefits. In response to our inquiry, District personnel indicated that the District plans to repay the $60.3 million in future years from the General Fund. Further, District personnel noted that the General Fund had covered the full cost of prior year shortages, such as in 2006-07 fiscal year when $5.9 million was

transferred from the General Fund to the internal service fund for workers' compensation. However, District personnel did not, of record, make a determination of what portion of the $60.3 million transfer during the 2008-09 fiscal year should have been allocated to Federal programs for premium costs previously charged to Federal programs. Without such determination, District records did not evidence that applicable refunds were made to the Federal Government for its share of the funds transferred, contrary to *Circular A-87*.

Recommendation: The District should make a determination of the portion of the $60.3 million that should be credited to Federal programs, and submit the applicable financial reports to the Florida Department of Education to effect such transfers.

District Contact Person: Oleg Gorokhovsky, Director of Accounting and Financial Reporting

Federal Awards Finding No. 2:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $20,325

Allowable Costs/Cost Principles. The Office of Management and Budget *Circular A-87*, Attachment A, Section C.1., provides, in part, that to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards, be authorized or not prohibited under State or local laws or regulations, and be adequately documented. The District's physical plant operations division (division) automates certain entries to charge various programs from its work order system for routine, preventive, and emergency maintenance services. Depending on the nature of the work, District employees or independent contractors perform the services, and division employees approve the work orders and invoices as the work is completed. In the 2008-09 fiscal year, approximately 6,500 work orders totaling $2.7 million were charged to the food service program.

Our tests of 61 expenditures charged to the Child Nutrition Cluster programs disclosed 4 expenditures, including three invalid charges to the programs, which the program director or designee did not approve. These 4 expenditures, dated in October 2008, totaling $21,100, represented automated entries from the division's work order system, and referenced the same work order, but the work order referenced only supported one charge for $775. Division employees indicated the remaining three charges, totaling $20,325, were data entry errors not discovered during their review process. In December 2009, subsequent to our inquiry, the District returned the questioned costs, totaling $20,325, to the Child Nutrition Cluster programs. District employees also indicated that efforts are being made to ensure program director review and approval of all work order related charges.

Recommendation: The District should establish procedures to ensure that expenditures charged to the Child Nutrition Cluster programs are approved by the program director, are necessary and reasonable for the proper administration of the program, and are adequately documented.

District Contact Person: Barbara Leslie, FNSD Director

Federal Awards Finding No. 3:
Federal Agency: United States Department of Education
Program: Federal Pell Grant Program (CFDA No. 84.063)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Cash Management. The District had not established procedures to ensure the timely return of unclaimed Title IV Federal Student Aid (FSA) funds to the applicable grantor contrary to Part 668, Subpart K, Title 34 Code of Federal Regulations, Cash Management and FSA Handbook. According to this Handbook, funds should be returned to the applicable grantor when the students' checks are not cashed by the expiration date (90 days) or within 240 days after the initial issuance date.

The District incurred Federal Pell Grant program expenditures totaling approximately $2.7 million during the 2008-09 fiscal year. Our review of outstanding checks as of June 30, 2009, disclosed six Title IV FSA checks were outstanding between 430 to 1,605 days since their initial issuance date because District staff were unaware of the compliance requirement to identify escheated funds, outstanding over 90 days, for return to the grantor. On January 22, 2010, subsequent to our inquiry, the District returned $2,498 for the six checks to the grantor.

Recommendation: The District should develop procedures to identify outstanding student financial aid disbursements older than 90 days and ensure the timely return of unclaimed Title IV FSA funds to the applicable grantor.

District Contact Persons: Connie Feeney, Financial Aid Director, and Oleg Gorokhovsky, Director of Financial Reporting

OTHER MATTERS

The Federal Bureau of Investigation is conducting a government corruption probe involving an investigation into alleged construction activity improprieties involving a suspended Board member and the District's construction department. The District is conducting additional internal investigations regarding potential overcharges by a contractor for Hurricane Wilma repairs and the propriety of the Southwest Ranches land purchase. On March 12, 2010, the District's internal audit department released a report to the Audit Committee and Board that disclosed deficiencies in the facilities and construction management division.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

BROWARD 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
Moore Stephens Lovelace, P.A.		No prior Federal audit findings.		

EXHIBIT A

MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
600 SOUTHEAST THIRD AVENUE• FORT LAUDERDALE, FLORIDA 33301-3125 • TEL 754-321-2600• FAX 754-321-2701

JAMES F. NOTTER
Superintendent of Schools
www.browardschools.com

SCHOOL BOARD

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March 18, 2010

Mr. David W. Martin, CPA
Auditor General
Room 412C
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1456

Dear Mr. Martin:

We have received the preliminary and tentative findings and recommendations from the following operational audit of the:

Broward County District School Board
For the Fiscal Year Ended June 30, 2009

Finding No. 1: Fraud Policy

Recommendation: To aid in the detection and prevention of fraud, the District should enhance its policies for reporting known or suspected fraud to the appropriate authorities.

Management Response:

The School Board of Broward County, Florida, agrees with the Auditor General's findings.

Action	Person(s) Responsible	Implementation Timeline
Form an ad hoc committee to review language in current policies and determine what policies and/or forms are appropriate to add the language referencing fraud. Update the policies and/or forms and submit.	**Gracie Diaz**, Acting Associate Superintendent, Human Resources **Edward J. Marko,** General Counsel Office of General Counsel **Pat Reilly**, Chief Auditor, Office of the Chief Auditor (Advisor/Reviewer Only)	March 2010-August 2010

Finding No. 2: Audit Committee

Recommendation: The District should revise its audit committee bylaws to clarify the terms and election process of officers.

Management Response:

We agree. The Office of the Chief Auditor (OCA) has corrected Article IV Section 2 to reflect that officers will be elected every two years. Also, at the September 3, 2009 Audit Committee meeting, elections were held and a new Chair and Vice Chair were selected to serve two year terms.
Responsibility: Patrick Reilly

Finding No. 3: Diplomas

Recommendation: The District should enhance procedures to ensure that diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation.

Management Response:

We reviewed student graduation and diploma processing for two high schools and one technical center. The District issued 1,957 diplomas to graduates of those schools and center during the 2008-09 fiscal year. Our review disclosed the following:

1. There was an inadequate separation of duties over the ordering and receipt of diplomas.

   Management Response:

   a. School-based management allows schools to determine which personnel are responsible for the various tasks associated with diplomas and verification. No district-wide standardization is provided.

   b. The only aspect of hard copy diplomas that is district-based is the ordering of Diploma Designation stickers. The criteria for the four types of stickers are defined in statute. All of the requirements are evaluated by the TERMS system and lists of eligible students are provided in the Data Warehouse. The stickers are purchased through District funds and distributed to schools from a central location. Principal-determined, school-based personnel are responsible for placing the stickers in the diploma envelopes for eligible students who are identified on the lists.

Registrars at the two high schools submitted orders containing information such as student names and diploma types to the printing company, received the completed diplomas, and provided the diplomas to other school staff for distribution at graduation to the students. However, no one independently verified that the diplomas ordered agreed with those received and were only printed for eligible graduates. Without an independent review process in place, there is an increased risk that errors or fraud could occur and not be timely detected.

Management Response:

c. Lists of 12th grade students are available in the Data Warehouse for school personnel to identify potential graduates. School-based serve as the independent verification of the accuracy of the list.
d. Broward County does have a process in place. Each year the District Guidance Department conducts transcript verifications for selected former students who possess a hard copy diploma, but their official transcript reflects a non-graduate status. If a coding error is found with the transcript, we require corrections.

2. Guidance counselors at one of the high schools were responsible for reviewing student records of high school seniors to determine which students did not meet the eligibility requirements to graduate and notifying the registrar. Those students that the guidance counselors deemed ineligible did not receive diplomas; however, no one independently reviewed the student records to verify that the guidance counselors' conclusions were correct. Absent an independent review, at least on a test basis, there is an increased risk of issuance of diplomas to ineligible students.

Management Response:

a. The process for conferring graduation status on students is changing for 2009-10 SY. Traditionally, all 12th grade students were assigned a graduation withdrawal code based upon their graduation plan, regardless of whether they met the criteria to earn that diploma. School-based personnel were required to manually change the withdrawal code to the appropriate code if the student failed to meet the graduation requirements.

   Beginning in 2009-10, TERMS will evaluate the graduation status of 12th grade students and assign a withdrawal code depending upon whether the student met the requirements for the respective graduation plan. School-based personnel will serve as the independent verification of the automated coding. For miscoded students, school-based will either make corrections to the student's graduation data in TERMS or notify ETS of programming errors. This new process will ensure that only eligible students are processed for graduation. An official list of students who will receive a hard copy diploma will be available in the Data Warehouse.

3. Based on our inquiries, the registrars at the high schools also placed orders for blank diplomas that are imprinted with all of the information and signatures except the student's name. These diplomas are ordered for instances where the names were misspelled or the diploma was damaged prior to issuance. Although the blank diplomas were received by the registrar and securely stored, until needed, there were no records maintained to account for the number of blank diplomas ordered, issued, and on hand. In addition, there were no records maintained to document the disposal of blank diplomas once the record retention period had expired.

Management Response:

a. For the 2010-11 school year, a standardized protocol for diploma ordering will be designed and implemented. A district point person will be identified to work with the Guidance Directors, Registrars, and the printing company to develop a protocol for schools to follow.

The above control deficiencies occurred mainly because of the lack of communication or written guidance requiring adequate separation of duties, independent verification of student eligibility for graduation, proper control and issuance of diplomas, and timely disposal of unused diploma forms.

While the audit is placing a heavy emphasis on the hard copy diplomas, the critical element of graduation is the withdrawal codes on the official transcript. When colleges, scholarships, and employers evaluate candidates, they utilize the transcripts, not the diplomas. The procedures in development for automation of withdrawal codes in June 2010, and the subsequent verification by school personnel of these codes, will ensure the accuracy of our transcripts. This combined with the standardized protocol for diploma ordering is expected to address the issues raised.

Finding No. 4: Decentralized Collections

Recommendation: The District should strengthen internal controls over collections to ensure that daily collections from all decentralized collection points are transferred to the Treasurer's Office and deposited in a timely manner.

Management Response:

Staff agrees that collections should be processed in a timely manner. Currently, the District liquidates all salvaged surplus vehicles through a web based internet auction. This has provided the District a worldwide audience for the sale of surplus vehicles. As a result of this exposure, many customers are out of state or out of the country. Since we require the winners of each auction to pay within 72 hours of the auction closing, many of the out of state and out of the country payments come by overnight mail.

As a general practice, payments received from auction customers are held on-site securely locked in a safe until the customer arrives to pick up the vehicle. In many cases, customers have to make travel arrangements, such as airline flights and hotel accommodations before coming to pick up the vehicle. By holding the check until the customer arrives, we are able to refund it immediately if a sale does not materialize. If the check is deposited before they arrive, the customer would have to wait a week to two weeks to be reimbursed.

The Shift Supervisor of Transportation Services will send collections to be deposited within the same week the vehicle is picked up by the customer.
Responsibility: D. Carter, C. Brownlee-Fuller, V. Harrell
Implementation Date: March 2010

Finding No. 5: Collection of Social Security Numbers

Recommendation: The District should improve its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.

Management Response:

The School Board of Broward County, Florida, agrees with the Auditor General's findings.

Proposed Corrective Action Plan

Action	Person(s) Responsible	Implementation Timeline
A form has been drafted that will be used to address Section 119.071(5)(a), Florida Statutes. The form will advise applicants and employees regarding the necessity and use for the collection of social security numbers.	**Gracie Diaz,** Acting Associate Superintendent, Human Resources **Victoria Kaufman**, Director Non-Instructional Staffing **Ana Segura,** Assistant General Counsel	March 2010
Review and ensure all District employment forms are in compliance with School Board Policy	**Victoria Kaufman**, Director Non-Instructional Staffing	April 2010
Develop an Implementation Plan for the communication, distribution, collection and monitoring of the notification form.	**Gracie M. Diaz,** Acting Associate Superintendent Human Resources **Victoria K. Kaufman,** Director Non-Instructional Staffing	June 2010
Include a statement in the Student Code of Conduct Handbook advising parents/guardians and students about the reasons to collect and use social security numbers. All parents/guardians and students are required to read and sign the Code of Conduct Handbook at the beginning of each school year.	**Joanne Harrison**, Deputy Superintendent Educational Programs and Student Support Services **Leah Kelly**, Executive Director Student Support Services & ESE	March 9, 2010- Board Workshop April 20, 2010- School Board meeting for approval August 2010- Distribution at the start of the school year to all parents and students.

Finding No. 6: Overtime Payment Monitoring

Recommendation: Given the amount of overtime expenditures incurred, the District should enhance management controls to require overtime and staffing analyses to ensure the most cost effective use of human resources. In addition, the District should review its methods of paying overtime to ensure that the proper rates are used for overtime payments.

Management Response:

At the May 25, 2010, Board Workshop, an overtime committee under the direction of the Human Resources Department, will present recommendations to monitor and reduce district-wide overtime, and establish a rate of pay for employees with second jobs.

Additionally, the Superintendent's Executive Leadership Team is developing a process to pre-approve appropriate use of overtime requests as required. In order for staff to monitor overtime expenditures, monthly overtime use will be reviewed to validate overtime expenditures.
Responsibility: D. Carter
Implementation Date: May 2010

Finding No. 7: Salary Overpayments

Recommendation: The District should enhance procedures in the payroll processing function to further reduce the risk of future salary overpayments and continue collection efforts for prior salary overpayments.

Management Response:

The approximate $1 million in overpayments that is considered expired based upon the statute of limitations was generated by the previous payroll system mostly in the fiscal years 2002 and 2003. As a result of the Auditor General's report three years ago, the District negotiated with the union to eliminate certain provisions which were causing overpayments. Currently, no overpayments have fallen beyond the statute of limitations. Specifically, the report said "The District is committed to resolving payroll overpayments. However, existing bargaining agreements play a significant role in the process of collecting overpayments. For example, the bargaining agreement with the teachers' union specifies that no repayment shall exceed $200 per paycheck. For retired or terminated employees, overpayment notices are mailed and settlements and repayment schedules are established. For former employees that fail to take action on the notices, the accounts are forwarded to a collection agency or the Board's attorney for legal action."

The District made improvements in the design of its new payroll system to reduce overpayments including:

- Negotiated with unions to remove provisions which resulted in overpayments. Employees are now paid only for the days worked in the first and last pay periods of their respective work calendars
- Developed SAP i-forms which has decreased processing time (elimination of multiple screens to process transaction) and reduced errors (pre-population of data fields) along with account coding validation.
- Increased capability of system by enhancing users' ability to view and detect overpayments.

Many of the overpayments are caused by mistakes made at the locations in part due to the high turnover of the payroll contact position. The District is strengthening its procedures in payroll processing and has taken the following steps to assist the locations:

- Site visits currently occurring with locations having the most overpayments
- Monthly analysis of overpayments to determine cause and provide targeted training
- Targeted training to address specific topics that cause overpayment
- Weekly newsletters and elluminate (web based training) sessions
- Hands-on Hot Labs designed to help end users process live transactions
- Developing a Business Practice Bulletin to detail the procedures on timely entry of time worked and processing of actions (Employees leave the District but the termination is being processed late). The estimated date of completion for preparing the Business Practice Bulletin is June 30, 2010.

Finding No. 8: Enterprise Resource Planning (ERP) Implementation and Consultant Services

Recommendation: The District should determine the most cost effective means of acquiring the expertise necessary to maintain the new ERP system.

Management Response:

The $9.7 million referred to in the finding is for the continued implementation of Wave 1 of the new ERP system which is part of the contract, as amended. The additional cost of $2.7 million, which is included in the $9.7 million, was negotiated by District staff and approved by the Board. The remaining cost of $400,000 was for continued consultants' costs on an as needed basis.

Knowledge transfer was emphasized in the recent ERP implementation due to lessons learned from the previous implementation. Most of the changes to the system are done by District staff. Consultants are hired to handle changes needed in more complicated areas such as i-forms and payroll rules and schemas. The new system requires very technical knowledge, and although our goal is to learn as much as we can, our staff will never get to the level of the experts. As a matter of fact, during the implementation, our consultant had a difficult time finding staff to work on the project because only a handful of people had knowledge of certain areas such as the i-forms. Additionally, it is very expensive to keep the staff trained in a constantly evolving technology and retain them. The most effective way to maintain the system is by using a combination of consultants and District staff.

During the ERP implementation we were conscientious about pricing and hired a local firm which was less expensive to help us during the implementation. In addition, an RFP was sent out to solicit other vendors to assist the District in maintaining the new ERP system.

Finding No. 9: Purchasing Cards

Recommendation: The District should enhance controls over its purchasing card program to ensure compliance with the District's purchasing card manual, including timely supervisory approval of charges, monitoring of credit limits, and timely cancellation of purchasing cards upon employees' termination of employment.

Management Response:

Staff agrees with the recommendation and will review and strengthen Purchase Card (P-card) Policies and Procedures to ensure appropriate, additional safeguards are implemented. Staff will monitor all monthly statements, ensure compliance with timely supervisory approval of charges, and staff will terminate the P-card if compliance is not met. The Director of Supply Management will revise the Purchasing Card Policies and Procedures to create a process for making adjustments on credit limits when determined to be appropriate. Staff will adopt a process to ensure timely cancellation and destruction of cards upon employee termination. This will be accomplished by sending bi-annual status verification letters requiring a valid response. When verification is not received timely, the card will be suspended until verification is received.
Responsibility: D. Carter, J. Moquin, R. Waremburg
Implementation Date: April 2010

Finding #10 Tangible Personal Property

Recommendation: To improve accountability and safeguarding of the District's assets, the District should strengthen procedures to provide for complete annual physical inventories of all tangible personal property, prompt tagging of items upon receipt, timely updating of all necessary fields in the individual property records for acquisitions and dispositions, and monitoring of surplus property.

We agree. The need for detailed property records and tagged inventory items provides for effective internal control over tangible personal property and reduces the risk of loss or theft from occurring.

Below are the Office of the Chief Auditor's (OCA) responses to the audit findings:
The OCA performs the physical inventory of each location's tangible personal property in addition to reconciling physical counts to property records, following-up on unlocated items found after physical inventories and tagging property items. A written audit report is prepared and submitted to the Audit Committee for transmittal to the Board and Superintendent. The audit report provides the results of each Property and Inventory audit. In addition, training is provided on the policies and the procedures for managing property at each District location. The addition of District staff performing quarterly physical inventories at each school or department has improved accountability and the safeguarding of the District's assets. The number of audits with no reported unlocated items has increased over the last two years.

Inventory and Tagging of Property

During the fiscal year ended June 30, 2009, the OCA's Property Audit Section has conducted over 179 property audits and tagged new equipment with a reduced number of Internal Audit Specialists. The OCA will strive to complete as many property audits as possible each fiscal year, using a palm/pilot barcode system to expedite the audits.

The OCA is working with District staff to ensure that accurate property records are maintained. Currently, barcodes are placed on all tangible personal property; however, property items will not be tagged (barcoded) by the OCA unless the serial number entered on-line matches the serial number on the property inventory to ensure the tag is placed on the correct item.

The OCA has met with the Director of the Supply Management & Logistics (SM&L) to ensure that procurement staff is taking corrective steps to ensure that at the time purchase orders are created; they are processed with the correct accounting codes to capture equipment costing over

$1,000 and to ensure that applicable equipment was added to the property records. Sometimes electronic equipment is purchased in bundles consisting of several items without assigning individual BPI numbers to each item included in the bundle. When a bundled purchasing error is identified by the OCA's Inventory Audit Specialist, an attempt is made to acquire vendor documentation/invoices identifying the components included in the bundle. When this is a residual concern at the designated location, a finding may be formalized. The OCA Property Audit Section has continued to identify this as a significant concern to management, individual end users (Schools/Dept.), Supply Management & Logistics (purchasing) and Financial Reporting Capital Assets (FRCA). A discrepancy report is provided to FRCA at the conclusion of the property audit for record amendment.

The OCA has met with the Director of the SM&L to strengthen the internal controls over asset purchases when using purchasing cards to ensure applicable assets are included in the property records. The SM&L staff has revised the Purchasing Card Program Policies and Procedures Manual to restrict equipment purchases with a purchase card. Procedures have been strengthened to only allow equipment purchases in emergency cases and require pre-approval. Periodically, the OCA will perform reviews of purchasing card transactions to ensure compliance with accounting for asset purchases.

Prior to performing a District location's physical inventory audit, the OCA provides each location with a schedule of all property items listed on their Property and Inventory report that do not have a serial number. Subsequently, each location must pull paid invoices and obtain the items' serial numbers in order to correct the property records. In an effort to correct this issue, OCA will continue to train District staff on the requirement to record the serial number in the accounting system at the time of "receipt of goods".

Disposals and Deletions of Property

The OCA will continue to train District staff on the proper procedures for disposing of surplus property and obtaining the authorized approvals for documenting items removed from the property records. Additionally, the manner of documenting asset disposition (sold, donated, cannibalized, scrapped, etc.) will be reviewed in order to ensure lawful disposal.
Responsibility: Patrick Reilly

Finding No. 11: Annual Facility Inspections

Recommendation: The District should enhance procedures to ensure that deficiencies noted in inspection reports are timely corrected, and discrepancies between information on work orders and inspection reports are timely resolved.

Management Response:

The Physical Plant Operations Department (PPO) agrees with the Auditor General's Report regarding timely completion of select work orders. However, some cited deficiencies require plans and design specifications, which take longer than the normal planning process to develop, resulting in the project not being completed in a timely manner. PPO will closely work with the Safety, Building, and Design Services Departments to develop a process to clearly define the scope of the project and to give top priority in expediting the planning and design requirement process.
Discrepancies between information on work orders and on inspection reports:
On several occasions, PPO has addressed cited deficiencies and so noted and closed work orders. Later the Department learned that the re-inspection did not take place until five to seven months

after the initial inspection. As a result, the deficiency had re-occurred due to vandalism. PPO staff along with Safety Department staff will develop a process that when work orders are completed, Safety Inspectors will be notified in order to conduct a timely follow-up to confirm completion of work.

Cancellation of Safety work orders:

The only cancellation of Safety work orders by PPO is when a duplicate work order is accidentally created, or if a Safety deficiency is being bundled into a Capital Improvement renovation project and the deficiency will be addressed during the construction of that project. In the future, if a cancellation of a Safety work order is needed, the Safety Department will be notified and the reason documented in the records. PPO staff will collaborate with the Safety Department to develop a process for tracking the status of the work order throughout the corrective process. This will include work completed during Capital Renovation projects or work being completed within the PPO Department.

Responsibility: D. Carter, S. Davis

Implementation Date: March 2010

Finding No. 12: Information Technology – Security Awareness

Recommendation: The District should promote security awareness through a comprehensive training program to ensure that its employees and contractors are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees and contractors to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

Management Response:

Staff agrees. A security awareness program is being developed by the Manager of Information Security and will be completed by June 30th, 2010.

The District's Information Security Guidelines have been updated to include vendor responsibilities and the Purchasing Department's General TERMS AND CONDITIONS used in all contract purchase orders is undergoing revisions to include statements about vendor compliance to security confidentiality.

Responsibility: D. Carter, A. Coluzzi/C. Stanley

Implementation Date: 2010-2011 School Year

Finding No. 13: Information Technology – Timely Removal of Access Privileges

Recommendation: The District should strengthen its procedures to ensure the timely removal of access privileges of former employees.

Management Response:

The Business Practice Bulletin "Process for Acquiring Security Access in SAP" outlines the policy for access to SAP. The access that was still in place for the employees tested was due to the location failing to process the employment termination in a timely manner. The process works as follows: Security access for an employee is associated with the position that employee holds. Once an employee transfers or terminates, they lose access associated with the position that they held. When an action has been completed within SAP to terminate an employee, the employee's security access is programmatically reduced to Employee Self Service only for an additional 45 days beyond the termination date to allow the employee access to their pay stub, change address,

etc. If a termination or transfer action is not completed in the system in a timely manner, the employee will have security access until the termination or transfer action is entered into the system.

The District will strengthen its procedures by running periodic reports of employees who are not being paid to determine if they still have access.

Finding No. 14: Information Technology – Management of Access Privileges

Recommendation: The District should review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access privileges as detected to minimize the risk that the access privileges could be used to compromise District data or IT resources.

Management Response:

Response from ERP Project Management:

Nineteen project team members were granted high levels of finance and accounting access.
Nineteen accounts were designated to have additional levels of finance and accounting access at that time because additional access was required during the SAP finance implementation for analysts and developers. As part of setting up the SAP support center, an analysis was conducted to determine the proper access for all of the SAP support staff. As a result of the analysis we have since reduced the number of accounts having additional levels of finance and accounting access to seven consisting of staff on the technical and security teams.

Seventeen users within the SAP ERP application project team have full security administrator rights.
Seventeen users within the SAP ERP application project team were designated to have full security administrator rights at that time because additional access was required during the SAP implementation. As part of setting up the SAP support center, an analysis was conducted to determine the proper access for all of the SAP support staff. As a result of the analysis we have since reduced the number of accounts having full security administrator rights to seven users. The seven users with full security administrator rights consist of the security and basis teams which is consistent with SAP best practices.

Twenty-four users within the SAP ERP application project team had dictionary maintenance capabilities and twenty-four users had table maintenance that allows update capabilities to the SAP data elements.
Twenty-four users within the SAP ERP application project team were designated to have dictionary maintenance capabilities at that time because additional access was required during the SAP implementation. As part of setting up the SAP support center, an analysis was conducted to determine the proper access for all of the SAP support staff. As a result of the analysis we have since converted dictionary maintenance access to dictionary read only access and reduced the number of accounts having dictionary read only access to fifteen users. The fifteen users with dictionary read only access consist of the basis, security, and development teams.

Thirty-one accounts have been granted the super-user authorization (SAP_ALL)
Numerous accounts that are used internally by programs were given the SAP_ALL authorization by the consultants performing the implementation. These accounts are not used by individuals to log onto the SAP system. The SAP ERP implementation team is working to reduce the level of

access that these accounts have. The SAP ERP implementation team expects to complete the removal of SAP_ALL access from these thirty-one accounts by May of 2010.

Response from Chief Operations' Officer

The District had twenty-two user accounts with Windows domain administrator rights.
The twenty-two accounts have been reviewed and found to be valid applications of Windows domain administrator rights, which are critical to supporting schools and applications. (The rest of this finding was addressed in the BRITE response to Finding #14).
Responsibility: D. Carter/B. Leong, A. Coluzzi/C. Stanley
Implementation Date: See Response from BRITE

Finding No. 15: Information Technology – Security Controls – User Authentication, Software Management, and Protection of Portable Storage Media

Recommendation: The District should improve its security controls related to user authentication, software management, and protection of portable storage media to ensure the continued confidentiality, integrity, and availability of District data and IT resources

Management Response:

Staff agrees. The District has improved its security controls to address these issues in the following manner:

The password policy has been developed and will be activated by the Manager of Security. The Information Security Guidelines have been updated and distributed to include recommendations regarding password controls.
Implementation Date: July 2010

The District's operating system is being upgraded to allow for the encryption of off-site storage media used in disaster recovery. The Systems Programmer will complete this upgrade.
Responsibility: D. Carter, A. Coluzzi/C. Stanley
Implementation Date: June 2010

Finding No. 16: Information Technology – Policies and Procedures

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

Management Response:

1. Revoking access privileges for consultants and vendors, and removing confidential information from their equipment, following the conclusion of contract terms.
Implementation Date: March 2010

The District's Information Security Guidelines (modified October 2009) have been updated to include vendor responsibilities and the Supply Management & Logistics Department's General TERMS AND CONDITIONS used in all contract purchase orders is undergoing revisions to include statements about vendor compliance to security confidentiality.
Implementation Date: March 2010

2. Routine monitoring of application and network security logs.

Guidelines for monitoring of network security logs have been developed and implemented by the Manager of Information Security.
Responsibility: D. Carter, A. Coluzzi/C. Stanley
Implementation Date: November 2009

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Agriculture and United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559); Career and Technical Education (CFDA No. 84.048); Fund for the Improvement of Education (CFDA No. 84.215)
Finding Type: Noncompliance
Questioned Costs: Unknown

Recommendation: The District should make a determination of the portion of the $60.3 million that should be credited to Federal programs, and submit the applicable financial reports to the Florida Department of Education to effect such transfers.

Management Response:

In order to mitigate 2008-2009 significant funding cuts from the State of Florida and to continue to provide quality educational services to our students, the Board has approved the District's management recommendation to utilize a one-time transfer from the Workers' Compensation Fund to the General Fund.

While executing this transfer, the management considered a requirement of the Office of Management and Budget Circular A-87 regarding workers' compensation transfer, as well as conformity to the Generally Accepted Accounting Principles (GAAP) in order to ensure that information estimated was accurate and useful.
The workers' compensation contribution rate is based on a sound actuarial evaluation. Due to a deteriorating economic condition in 2008-2009, the actuarial evaluation used a lower margin of 50% confidence level compared to the 75% confidence level reported in prior years. With the 50% confidence level, the actuary estimated the margin necessary so that there is 50% likelihood that the funding level will be sufficient to cover the actual liabilities.

It is important to point out that the intent of the workers' compensation transfer in 2008-2009 was temporary in nature. Management has the intention to fund the Workers' Compensation Fund at the confidence level of 75% when the financial position of the District improves. The actuarial method and confidence level used are fully disclosed in the District's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

In addition to the transfer being temporary, the District is not able to identify the fair share portion of the amount that came from the Federal Awards due to the following reasons:

1. The Federal Awards contribution to the Workers' Compensation Fund has occurred over a long period of time. (District self insured workers' compensation fund effective August of 1974) Therefore, a fair share of all Federal Awards portion contributed to the District from the time of the creation of the Internal Service Fund cannot be accurately calculated.

2. Over the years, whenever there was a shortage in the Workers' Compensation Fund, it was covered by the General Fund alone. The actuarially determined shortage would be

calculated at the year-end closing and therefore could not be assessed to the Federal programs at that time.

3. Throughout the years, the basis of contribution has been based on payroll and not on the amount of the Federal Awards received, thus complicating the calculation of the Federal programs fair share. The amount of salaries paid by the Federal Awards changes yearly depending on the specific needs and requirements of each individual program.

4. In the past several years, the District experienced significant fluctuations in the number of active employees. Utilizing the most recently available data for the purpose of estimating the payroll paid by the Federal Awards over an extended period of time would not be accurate.

If the District was able to identify and return the Federal Awards share to the Florida Department of Education (FDOE), it is unclear how these funds would be restored when the District goes back to conservatively funding at the confidence level of 75%. The District would be forced to assess a one-time charge to the current Federal Awards to replenish the Workers' Compensation Fund, a charge they could not afford.

For the reasons mentioned above, it is not practical for the District to make a calculation and to determine what fair share portion of the 2008-2009 transfer came from the Federal programs. Furthermore, we have made the Florida Department of Education aware of your observation and they are looking into this matter.

Federal Awards Finding No. 2:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559);
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $20,325

Recommendation: The District should establish procedures to ensure that expenditures charged to the Child Nutrition Cluster programs are approved by the program director, are necessary and reasonable for the proper administration of the program, and are adequately documented.

Management Response:

Staff agrees with the finding. Meetings will be held with Budget and Financial Reporting staff to determine the appropriateness and validity of charges to Food & Nutrition Services (FNS). Mark Mills and Barbara Leslie, under the direction of Jeffrey Moquin, will engage Budget and Financial Reporting staff in dialog to come to a determination of the validity of future expenditures charged to FNS.
Responsibility: D. Carter, J. Moquin, B. Leslie
Implementation Date: The issue will be resolved by July 2010

Federal Awards Finding No. 3:
Federal Agency: United States Department of Education
Program: Federal Pell Grant Program (CFDA No. 84.063)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Recommendation: The District should develop procedures to identify outstanding student financial aid disbursements older than 90 days and ensure the timely return of unclaimed Title IV FSA funds to the applicable grantor.

Management Response:

We concur with your observation. Prior to fiscal year 2009-2010, staff and the previous immediate supervisor responsible for this area were not aware of the compliance requirement and did not have a procedure in place to address this issue. A new procedure has been established where the Accounting and Financial Reporting Department communicates monthly to three Financial Aid Offices a list of all checks that were not cashed by their students. Any checks that are not cashed after 90 days are immediately voided and the amount of these checks is returned to the grantor by Financial Aid Offices through the Federal Pell Grant Student's Disbursement system in accordance with Title IV programmatic guidelines. As of the date of this response, there are no Financial Aid checks outstanding over 90 days.

If you have any questions or concerns, please contact Patrick Reilly, Chief Auditor, at (754) 321-8300.

Sincerely,

James F. Notter
Superintendent of Schools

JFN/PR:pm

16