

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2010



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
Glenda B. Hart	1
Henry J. McCray, Chair	2
Robert D. Koon, Vice Chair	3
Terry Fillyaw	4
Jerry Hill	5

Thomas H. Lashley, Superintendent

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

The audit team leader was Tiffany R. Wilson, and the audit was supervised by Cathy L. Bandy, CPA. 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

LAFAYETTE 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.....	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	19
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	36
Schedule of Funding Progress – Other Postemployment Benefits Plan	39
Notes to Required Supplementary Information	40
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	41
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 <i>GOVERNMENT AUDITING STANDARDS</i>	42
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	44
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	46
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	50
EXHIBIT A MANAGEMENT'S RESPONSE	51

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 Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 2: Procedural enhancements needed to be made to ensure supervisory approval of employee work time and leave taken.

Finding No. 3: The District lacked written policies and procedures for certain information technology functions.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; and State Fiscal Stabilization Fund Cluster 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.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-098.

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, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We

also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lafayette County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 64 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Lafayette County District School Board as of June 30, 2010, and the respective changes in financial position thereof for the fiscal 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 Lafayette 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 36 through 40) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
January 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Lafayette County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 10 through 35.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- The District's assets exceeded its liabilities at the close of the 2009-10 fiscal year by \$13,881,375.
- The District's total net assets decreased by \$218,097.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$1,923,572, a decrease of \$330,901 in comparison with the prior fiscal year.
- During the 2009-10 fiscal year, General Fund revenues exceeded expenditures by \$109,596. During the 2008-09 fiscal year, General Fund expenditures exceeded revenues by \$54,572.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

All of the District's nonfiduciary activities and services are reported in the government-wide statements as governmental activities. The District's governmental activities include its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – ARRA Economic Stimulus Fund, Capital Projects – Public Education Capital Outlay Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceed liabilities by \$13,881,375 at the close of the 2009-10 fiscal year. The following is a summary of the District’s net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

	Net Assets, End of Year	
	Governmental	
	Activities	
	<u>6-30-10</u>	<u>6-30-09</u>
Current and Other Assets	\$ 2,061,799.37	\$ 2,362,665.27
Capital Assets	<u>13,012,852.05</u>	<u>12,966,919.75</u>
Total Assets	<u>15,074,651.42</u>	<u>15,329,585.02</u>
Long-Term Liabilities	1,055,048.57	1,121,920.39
Other Liabilities	<u>138,227.53</u>	<u>108,191.94</u>
Total Liabilities	<u>1,193,276.10</u>	<u>1,230,112.33</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	12,802,852.05	12,741,919.75
Restricted	746,782.77	1,148,801.00
Unrestricted	<u>331,740.50</u>	<u>208,751.94</u>
Total Net Assets	<u>\$ 13,881,375.32</u>	<u>\$ 14,099,472.69</u>

By far the largest portion of the District’s net assets (92.23 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidated these liabilities.

An additional portion of the District’s net assets (5.38 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets totaling \$331,740.50, may be used to meet the government’s ongoing obligations.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

	Operating Results for the Year	
	Governmental	
	Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	\$ 138,875.42	\$ 147,392.07
Operating Grants and Contributions	340,278.61	483,525.35
Capital Grants and Contributions	101,560.42	331,377.49
General Revenues:		
Property Taxes, Levied for Operational Purposes	1,448,383.75	1,340,658.18
Property Taxes, Levied for Capital Projects	348,103.80	327,190.03
Grants and Contributions Not Restricted to Specific Programs	8,942,878.17	8,333,448.96
Unrestricted Investment Earnings	9,068.82	22,878.03
Miscellaneous	131,829.02	202,340.36
Total Revenues	11,460,978.01	11,188,810.47
Functions/Program Expenses:		
Instruction	5,666,330.36	5,399,886.89
Pupil Personnel Services	511,752.53	560,395.42
Instructional Media Services	133,173.66	135,398.75
Instruction and Curriculum Development Services	853,518.45	731,365.25
Instructional Staff Training Services	188,005.30	282,130.84
Instruction Related Technology	84,600.85	88,688.10
School Board	198,089.33	243,721.08
General Administration	308,860.71	286,641.84
School Administration	308,702.10	409,930.64
Facilities Acquisition and Construction	127,989.90	55,455.18
Fiscal Services	293,839.55	255,773.05
Food Services	518,304.74	509,488.60
Central Services	4,577.82	6,273.53
Pupil Transportation Services	662,967.13	652,765.01
Operation of Plant	577,277.46	641,745.45
Maintenance of Plant	361,953.75	370,040.65
Administrative Technology Services	130,136.02	120,142.04
Unallocated Interest on Long-Term Debt	11,287.06	12,039.14
Unallocated Depreciation	737,708.66	595,912.01
Total Functions/Program Expenses	11,679,075.38	11,357,793.47
Decrease in Net Assets	\$ (218,097.37)	\$ (168,983.00)

The largest revenue source is the State of Florida (54.16 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$609,429.21, or 7.31 percent, primarily due to State Fiscal Stabilization Funds received in the current fiscal year to save jobs.

Capital grants and contributions revenue decreased by \$229,817.07, or 69.35 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The

decrease is mainly due to the decrease in Public Education Capital Outlay (PECO) funding resulting from the completion or near completion of certain construction projects during the 2008-09 fiscal year.

Property tax revenues increased by \$128,639.34, or 7.71 percent, primarily as a result of a 9.27 percent increase in the total millage rate.

Instruction expenses represent 48.52 percent of total governmental expenses in the 2009-10 fiscal year. Instruction expenses increased by \$266,443.47, or 4.93 percent, from the previous year due mainly to an increase in instructional staffing levels made possible by ARRA funding and a step increase in salary rates.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

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

As of the end of the 2009-10 fiscal year, the District's governmental funds report combined ending fund balances of \$1,923,571.84, a decrease of \$330,901.49 in comparison with the 2008-09 fiscal year. Approximately 69.98 percent of this total amount, or \$1,346,084.59, constitutes unreserved fund balances, which are available for spending at the District's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders outstanding at year-end (\$265,322.08); 2) to pay debt service (\$8,740.10); 3) to fund State carryover programs (\$202,447.55); 4) to provide consumable supplies inventory (\$28,525.64); and 5) provide for potential claims under the self-insurance plan (\$72,451.88).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$1,154,479.02, while the total fund balance is \$1,451,688.50. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 15.07 percent of total General Fund expenditures, while total fund balance represents 18.95 percent of that same amount. During the current fiscal year, the total fund balance of the General Fund increased by \$33,554.10, and unreserved fund balance increased from \$1,047,658.82 in the 2008-09 fiscal year to \$1,154,479.02 in the 2009-10 fiscal year. These increases can be attributed to continued increase in student enrollment and ARRA Stabilization Funding.

The Special Revenue – Other Fund has a zero fund balance at the end of the current fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance. Revenues increased by \$23,977.17 primarily due to the receipt of additional revenues for Federal grants.

The Special Revenue – ARRA Economic Stimulus Fund also has a zero fund balance at the end of the 2009-10 fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund also does not generally accumulate a fund balance. Revenues and expenditures were \$647,077.05, and the funding was mainly used for salaries and benefits.

The Capital Projects – Public Education Capital Outlay Fund and the Capital Projects – Local Capital Improvement Fund have a combined fund balance of \$392,905.16, which is restricted for capital projects. The combined fund

balances decreased in the current year by \$380,177.63 due to a decrease in PECO revenue and an increase in expenditures in the 2009-10 fiscal year. Of this amount, \$257,875.57 is encumbered at year-end to be expended on specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District increased its General Fund budgeted revenues by \$324,647.28. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues exceeded final budgeted amounts by \$146,411.28, while actual expenditures were \$770,535.95 less than final budgeted amounts, due to continued cost saving measures implemented by the District in anticipation of decreased State funding. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$917,007.55.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$13,012,852.05 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software.

Major capital asset events during the current fiscal year included the following:

- New construction and replacement of covered walkways at Lafayette Elementary School.
- Purchase of one school bus.
- Replacement of roof on Lafayette Elementary.

Additional information on the District's capital assets can be found in Notes 4 and 13 to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total bonded debt outstanding of \$210,000. The bonds are backed by the full faith and credit of the State of Florida. The District's total debt decreased by \$15,000, or 6.67 percent.

Additional information on the District's long-term debt can be found in Notes 5 and 6 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District received \$647,077.05 in Federal funds from the American Recovery and Reinvestment Act (ARRA) for use in the 2009-10 fiscal year. The Act, intended to provide a stimulus to the nation's economy, earmarks Federal revenues for States to use in key education areas such as the instruction of students with disabilities, services for low-income students, and the stabilization of local school district funding. Additional ARRA revenues will be received in the 2010-11 fiscal year to assist the District in these areas. These funds are to be obligated by September 30, 2011.

In an environment of uncertain State resources, District staff continue to work with the School Board and administrators to develop cost saving measures to reduce the impact of the discontinuance of non-recurring ARRA revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Lafayette County District School Board, 363 NE Crawford Street, Mayo, FL 32066-9248.

BASIC FINANCIAL STATEMENTS

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010**

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	1,858,098.67
Investments		39,041.84
Due from Fiscal Agent		84,721.12
Due from Other Agencies		51,412.10
Inventories		28,525.64
Capital Assets:		
Nondepreciable Capital Assets		501,913.31
Depreciable Capital Assets, Net		12,510,938.74
TOTAL ASSETS	\$	15,074,651.42
LIABILITIES		
Salaries and Benefits Payable	\$	69,119.07
Payroll Deductions and Withholdings		15,586.36
Construction Contracts Payable		30,000.05
Construction Contracts Payable - Retainage		10,585.31
Due to Other Agencies		240.00
Matured Interest Payable		427.50
Estimated Insurance Claims Payable		12,269.24
Long-Term Liabilities:		
Portion Due Within One Year		47,233.18
Portion Due After One Year		1,007,815.39
Total Liabilities		1,193,276.10
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		12,802,852.05
Restricted for:		
State Required Carryover Programs		202,447.55
Debt Service		8,740.10
Capital Projects		435,577.25
Food Service		27,565.99
Other Purposes		72,451.88
Unrestricted		331,740.50
Total Net Assets		13,881,375.32
TOTAL LIABILITIES AND NET ASSETS	\$	15,074,651.42

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental Activities:				
Instruction	\$ 5,666,330.36	\$ 13,981.00		\$ (5,652,349.36)
Pupil Personnel Services	511,752.53			(511,752.53)
Instructional Media Services	133,173.66			(133,173.66)
Instruction and Curriculum Development Services	853,518.45			(853,518.45)
Instructional Staff Training Services	188,005.30			(188,005.30)
Instruction Related Technology	84,600.85			(84,600.85)
School Board	198,089.33			(198,089.33)
General Administration	308,860.71			(308,860.71)
School Administration	308,702.10			(308,702.10)
Facilities Acquisition and Construction	127,989.90			(92,742.48)
Fiscal Services	293,839.55			(293,839.55)
Food Services	518,304.74	124,512.32	340,278.61	40,401.00
Central Services	4,577.82			(4,577.82)
Pupil Transportation Services	662,967.13	382.10		(662,585.03)
Operation of Plant	577,277.46			(577,277.46)
Maintenance of Plant	361,953.75			(361,953.75)
Administrative Technology Services	130,136.02			(130,136.02)
Unallocated Interest on Long-Term Debt	11,287.06			25,912.00
Unallocated Depreciation	737,708.66			(737,708.66)
Total Governmental Activities	\$ 11,679,075.38	\$ 138,875.42	\$ 340,278.61	\$ 101,560.42
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				1,448,383.75
Property Taxes, Levied for Capital Projects				348,103.80
Grants and Contributions Not Restricted to Specific Programs				8,942,878.17
Unrestricted Investment Earnings				9,068.82
Miscellaneous				131,829.02
Total General Revenues				10,880,263.56
Change in Net Assets				(218,097.37)
Net Assets - Beginning				14,099,472.69
Net Assets - Ending				\$ 13,881,375.32

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,363,558.57	\$ 4,059.22	\$
Investments	31,544.12		
Due from Fiscal Agent	84,721.12		
Due from Other Funds	30,437.89		
Due from Other Agencies	23,777.93	19,980.86	6,397.81
Inventories	14,863.54		
TOTAL ASSETS	\$ 1,548,903.17	\$ 24,040.08	\$ 6,397.81
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 69,119.07	\$	\$
Payroll Deductions and Withholdings	15,586.36		
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Matured Interest Payable			
Due to Other Funds		24,040.08	6,397.81
Due to Other Agencies	240.00		
Estimated Insurance Claims Payable	12,269.24		
Total Liabilities	97,214.67	24,040.08	6,397.81
Fund Balances:			
Reserved for State Required Carryover Programs	202,447.55		
Reserved for Encumbrances	7,446.51		
Reserved for Inventories	14,863.54		
Reserved for Self-Insurance	72,451.88		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	1,154,479.02		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	1,451,688.50		
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,548,903.17	\$ 24,040.08	\$ 6,397.81

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 37,190.08	\$ 396,300.44	\$ 56,990.36 7,497.72	\$ 1,858,098.67 39,041.84 84,721.12 30,437.89 51,412.10 28,525.64
<u>37,190.08</u>	<u>396,300.44</u>	<u>79,405.68</u>	<u>2,092,237.26</u>
\$ 30,000.05	\$ 10,585.31	\$ 427.50	\$ 69,119.07 15,586.36 30,000.05 10,585.31 427.50 30,437.89 240.00 12,269.24
<u>30,000.05</u>	<u>10,585.31</u>	<u>427.50</u>	<u>168,665.42</u>
7,117.60	250,757.97	13,662.10 8,740.10	202,447.55 265,322.08 28,525.64 72,451.88 8,740.10 1,154,479.02 13,903.89 177,701.68
<u>72.43</u>	<u>134,957.16</u>	<u>42,672.09</u>	<u>1,923,571.84</u>
<u>7,190.03</u>	<u>385,715.13</u>	<u>78,978.18</u>	<u>1,923,571.84</u>
<u>\$ 37,190.08</u>	<u>\$ 396,300.44</u>	<u>\$ 79,405.68</u>	<u>\$ 2,092,237.26</u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010**

Total Fund Balances - Governmental Funds	\$	1,923,571.84
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		13,012,852.05
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ 210,000.00	
Compensated Absences Payable	620,948.57	
Other Postemployment Benefits Payable	224,100.00	
		(1,055,048.57)

Total Net Assets - Governmental Activities	\$	<u>13,881,375.32</u>
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The accompanying notes to financial statements are an integral part of this statement.

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**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues				
Intergovernmental:				
Federal Direct	\$	\$ 692,258.11	\$	\$
Federal Through State and Local State	30,962.84	1,473,965.25	647,077.05	
	6,139,461.34			23,069.00
Local:				
Property Taxes	1,448,383.75			
Charges for Services	14,363.10			
Miscellaneous	137,923.75	60.32		981.73
Total Revenues	<u>7,771,094.78</u>	<u>2,166,283.68</u>	<u>647,077.05</u>	<u>24,050.73</u>
Expenditures				
Current - Education:				
Instruction	3,904,200.39	1,209,875.17	525,053.66	
Pupil Personnel Services	282,935.43	216,931.31	14,394.43	
Instructional Media Services	131,196.42			
Instruction and Curriculum Development Services	298,630.41	508,902.67	23,363.00	
Instructional Staff Training Services	86,952.28	95,607.04	7,580.04	
Instruction Related Technology	83,008.68			
School Board	227,400.38			
General Administration	201,338.12	77,409.03	26,694.95	
School Administration	357,200.46	1,654.00		
Facilities Acquisition and Construction	16,501.90	2,157.00		
Fiscal Services	286,086.96			
Food Services				
Central Services	4,689.71			
Pupil Transportation Services	577,824.87	11,184.52		
Operation of Plant	629,923.73	1,487.32		
Maintenance of Plant	356,251.33			
Administrative Technology Services	127,835.65		431.96	
Fixed Capital Outlay:				
Facilities Acquisition and Construction	1,414.70	4,671.30		232,713.55
Other Capital Outlay	88,107.58	36,344.00	49,559.01	
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>7,661,499.00</u>	<u>2,166,223.36</u>	<u>647,077.05</u>	<u>232,713.55</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>109,595.78</u>	<u>60.32</u>		<u>(208,662.82)</u>
Other Financing Sources (Uses)				
Transfers In	23,129.32			
Transfers Out	(99,171.00)	(60.32)		(23,069.00)
Total Other Financing Sources (Uses)	<u>(76,041.68)</u>	<u>(60.32)</u>		<u>(23,069.00)</u>
Net Change in Fund Balances	33,554.10			(231,731.82)
Fund Balances, Beginning	1,418,134.40			238,921.85
Fund Balances, Ending	<u>\$ 1,451,688.50</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 7,190.03</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	333,250.61	692,258.11
	44,673.00	2,485,255.75
		6,207,203.34
348,103.80		1,796,487.55
	124,512.32	138,875.42
<u>1,510.37</u>	<u>421.67</u>	<u>140,897.84</u>
<u>349,614.17</u>	<u>502,857.60</u>	<u>11,460,978.01</u>
		5,639,129.22
		514,261.17
		131,196.42
		830,896.08
		190,139.36
		83,008.68
		227,400.38
		305,442.10
		358,854.46
109,331.00		127,989.90
		286,086.96
	513,538.61	513,538.61
		4,689.71
		589,009.39
		631,411.05
		356,251.33
		128,267.61
297,585.13	46,480.89	582,865.57
91,143.85		265,154.44
	15,000.00	15,000.00
	<u>11,287.06</u>	<u>11,287.06</u>
<u>498,059.98</u>	<u>586,306.56</u>	<u>11,791,879.50</u>
<u>(148,445.81)</u>	<u>(83,448.96)</u>	<u>(330,901.49)</u>
	99,171.00	122,300.32
		(122,300.32)
	<u>99,171.00</u>	
(148,445.81)	15,722.04	(330,901.49)
<u>534,160.94</u>	<u>63,256.14</u>	<u>2,254,473.33</u>
<u>\$ 385,715.13</u>	<u>\$ 78,978.18</u>	<u>\$ 1,923,571.84</u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Net Change in Fund Balances - Governmental Funds	\$	(330,901.49)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.		45,932.30
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.		15,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period.		42,427.52
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year.		<u>9,444.30</u>
Change in Net Assets - Governmental Activities	\$	<u>(218,097.37)</u>

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES-
FIDUCIARY FUNDS
June 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 139,542.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 139,542.00</u>

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the District's reporting entity.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the District's nonfiduciary financial activity.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation is allocated to the transportation function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources to be used for new construction and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

Government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

➤ **Deposits and Investments**

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

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year and are adjusted at year-end to reflect year-end physical inventories.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 - 35 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that educational program revenues be accounted for

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 8, 2009. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 122,052.21
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	31,544.12
Debt Service Accounts	6 Months	7,497.72
Total Investments, Primary Government		<u>\$ 161,094.05</u>

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

Interest Rate Risk

- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 214,561.10	\$	\$	214,561.10
Land Improvements - Nondepreciable				
Construction in Progress		576,779.57	289,427.36	287,352.21
Total Capital Assets Not Being Depreciated	214,561.10	576,779.57	289,427.36	501,913.31
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	888,815.89	6,086.00		894,901.89
Buildings and Fixed Equipment	17,913,472.82	289,427.36		18,202,900.18
Furniture, Fixtures, and Equipment	1,606,550.01	161,475.59	221,728.27	1,546,297.33
Motor Vehicles	953,042.81	91,143.85		1,044,186.66
Audio Visual Materials and Computer Software	389,928.20	12,535.00	23,458.00	379,005.20
Total Capital Assets Being Depreciated	21,751,809.73	560,667.80	245,186.27	22,067,291.26
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	589,462.56	23,295.88		612,758.44
Buildings and Fixed Equipment	6,053,442.73	542,489.64		6,595,932.37
Furniture, Fixtures, and Equipment	1,279,074.23	141,716.26	221,728.27	1,199,062.22
Motor Vehicles	757,707.43	64,379.05		822,086.48
Audio Visual Materials and Computer Software	319,764.13	30,206.88	23,458.00	326,513.01
Total Accumulated Depreciation	8,999,451.08	802,087.71	245,186.27	9,556,352.52
Total Capital Assets Being Depreciated, Net	12,752,358.65	(241,419.91)		12,510,938.74
Governmental Activities Capital Assets, Net	\$ 12,966,919.75	\$ 335,359.66	\$ 289,427.36	\$ 13,012,852.05

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 64,379.05
Unallocated	737,708.66
Total Depreciation Expense - Governmental Activities	\$ 802,087.71

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

5. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds: Series 2005B, Refunding	\$ 210,000	5.0	2020

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 25,500.00	\$ 15,000.00	\$ 10,500.00
2012	24,750.00	15,000.00	9,750.00
2013	29,000.00	20,000.00	9,000.00
2014	28,000.00	20,000.00	8,000.00
2015	27,000.00	20,000.00	7,000.00
2016-2020	<u>138,500.00</u>	<u>120,000.00</u>	<u>18,500.00</u>
Total	<u>\$ 272,750.00</u>	<u>\$ 210,000.00</u>	<u>\$ 62,750.00</u>

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 225,000.00	\$	\$ 15,000.00	\$ 210,000.00	\$ 15,000.00
Compensated Absences Payable	663,376.09	5,532.70	47,960.22	620,948.57	32,233.18
Special Termination Benefits Payable (1)	233,544.30		233,544.30		
Other Postemployment Benefits Payable		<u>347,300.00</u>	<u>123,200.00</u>	<u>224,100.00</u>	
Total Governmental Activities	<u>\$ 1,121,920.39</u>	<u>\$352,832.70</u>	<u>\$419,704.52</u>	<u>\$ 1,055,048.57</u>	<u>\$ 47,233.18</u>

(1) Included in Other Postemployment Benefits Payable at June 30, 2010.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 30,437.89	
Special Revenue:		
Other		24,040.08
ARRA		6,397.81
Total	<u>\$ 30,437.89</u>	<u>\$ 30,437.89</u>

Interfund receivables and payables were primarily for temporary loans to cover deficit cash balances in pooled accounts.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 23,129.32	\$ 99,171.00
Special Revenue:		
Other		60.32
Capital Projects:		
Public Education Capital Outlay		23,069.00
Nonmajor Governmental	99,171.00	
Total	<u>\$ 122,300.32</u>	<u>\$ 122,300.32</u>

Transfers were primarily to reimburse the General Fund for maintenance and capital outlay expenditures, to supplement food service operations, and to set aside funds for class size reduction.

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Because revenues of grants accounted for in the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund total \$427.75 and \$208.20, respectively, at June 30, 2010.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 4,630,486.00
Categorical Educational Program - Class Size Reduction	1,141,908.00
Workforce Development Program	43,473.00
School Recognition	42,488.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	38,090.42
Gross Receipts Tax (Public Education Capital Outlay)	23,069.00
Food Service Supplement	7,147.00
Mobile Home License Tax	4,272.28
Discretionary Lottery Funds	2,866.00
Miscellaneous	273,403.64
 Total	 \$ 6,207,203.34

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

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.245	\$ 1,299,472
Basic Discretionary Local Effort	0.498	123,382
Supplemental Discretionary Local Effort	0.250	61,938
Critical Needs	0.250	61,938
 CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	371,632
 Total	 7.743	 \$ 1,918,362

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

11. FLORIDA RETIREMENT SYSTEM

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

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

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

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.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$569,914.58, \$562,658.57, and \$573,588.81, respectively, which were equal to the required contributions for each fiscal year. There were 19 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$64,752.31.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Effective for the 2009-10 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$3,990,900 at the July 1, 2009, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits liability at the date of transition.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical, prescription drug, dental, and vision coverage and life insurance. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized)

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, the District pays a portion of the cost of healthcare benefits for certain retired former employees (explicit subsidy). Pursuant to the current instructional and school related employee contracts, current employees who retire within the first year of eligibility (30 years of service and/or age 62 and vested with the Florida Retirement System) and file a Notice of Intent to Retire within the designated timelines, are eligible to receive the benefit. The benefits provided under this defined benefit plan continue until the employees reach 65 years of age or becomes eligible for Medicare whichever occurs first. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 34 retirees received other postemployment benefits. The District provided required contributions of \$123,300 toward the annual OPEB cost, net of retiree contributions totaling \$104,100, which represents 1.8 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 177,700
Amortization of Unfunded Actuarial Accrued Liability	162,900
Interest on Normal Cost and Amortization	<u>6,700</u>
Annual Required Contribution - OPEB Cost (Expense)	347,300
Contribution Toward the OPEB Cost	<u>(123,200)</u>
Increase in Net OPEB Obligation	224,100
Net OPEB Obligation, Beginning of Year	<u> </u>
Net OPEB Obligation, End of Year	<u><u>\$ 224,100</u></u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010 (year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2009	\$ 0	0%	\$ 0
2009-10	347,300	35.5%	224,100

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$3,990,900, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,990,900 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$5,754,400, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.4 percent.

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

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

The District’s initial OPEB actuarial valuation as of July 1, 2009, used the projected unit credit cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 2.5 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2009-10 fiscal year, reduced by .5 percent per year, to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 29 years.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

13. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Lafayette Elementary School Reroofing Project	\$ 356,611.07	\$ 105,853.10	\$ 250,757.97

14. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lafayette County District School Board participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District’s covered risks related to comprehensive property and liability insurance, general liability, workers’ compensation, money and securities, and employees’ fidelity and faithful performance are included in the group program. The program is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts.

The District also participates in supplemental employee group insurance programs administered through the North East Florida Educational Consortium (Consortium) for life, dental, vision, disability, and accidental death and dismemberment. The Consortium is governed by a board of directors composed of the superintendents of participating school districts. The program is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Consortium offices are located in Putnam County, and the Putnam County District School Board is the fiscal agent. Premiums charged to the districts are based on each individual district’s claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital. Accordingly, the District reports the District’s estimated liability for unpaid claims. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management programs.

A liability in the amount of \$12,269.24 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2010.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2008-09	\$ 7,599.93	\$ 158,127.28	\$ (152,442.56)	\$ 13,284.65
2009-10	13,284.65	188,549.08	(189,564.49)	12,269.24

The District's health and hospitalization coverage is being provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

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

REQUIRED SUPPLEMENTARY INFORMATION

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	5,840,024.22	6,134,169.06	30,962.84 6,139,461.34	30,962.84 5,292.28
Local:				
Property Taxes	1,460,012.00	1,490,514.44	1,448,383.75	(42,130.69)
Charges for Services			14,363.10	14,363.10
Miscellaneous			137,923.75	137,923.75
Total Revenues	7,300,036.22	7,624,683.50	7,771,094.78	146,411.28
Expenditures				
Current - Education:				
Instruction	4,020,177.16	4,179,197.39	3,904,200.39	274,997.00
Pupil Personnel Services	379,698.73	346,693.30	282,935.43	63,757.87
Instructional Media Services	154,474.32	140,602.24	131,196.42	9,405.82
Instruction and Curriculum Development Services	296,123.83	310,716.83	298,630.41	12,086.42
Instructional Staff Training Services	84,792.86	97,426.28	86,952.28	10,474.00
Instruction Related Technology	113,749.64	101,556.50	83,008.68	18,547.82
School Board	257,913.05	258,632.05	227,400.38	31,231.67
General Administration	206,399.87	210,459.55	201,338.12	9,121.43
School Administration	382,345.73	373,282.74	357,200.46	16,082.28
Facilities Acquisition and Construction	57,803.72	59,824.92	16,501.90	43,323.02
Fiscal Services	299,301.55	312,079.80	286,086.96	25,992.84
Central Services	5,677.00	6,039.00	4,689.71	1,349.29
Pupil Transportation Services	638,895.01	669,006.21	577,824.87	91,181.34
Operation of Plant	708,443.06	681,302.90	629,923.73	51,379.17
Maintenance of Plant	303,580.52	392,248.56	356,251.33	35,997.23
Administrative Technology Services	131,896.00	154,288.85	127,835.65	26,453.20
Fixed Capital Outlay:				
Facilities Acquisition and Construction	9,843.10	11,257.80	1,414.70	9,843.10
Other Capital Outlay	125,784.22	127,420.03	88,107.58	39,312.45
Total Expenditures	8,176,899.37	8,432,034.95	7,661,499.00	770,535.95
Excess (Deficiency) of Revenues Over Expenditures	(876,863.15)	(807,351.45)	109,595.78	916,947.23
Other Financing Sources (Uses)				
Transfers In		23,069.00	23,129.32	60.32
Transfers Out	(56,500.00)	(99,171.00)	(99,171.00)	
Total Other Financing Sources (Uses)	(56,500.00)	(76,102.00)	(76,041.68)	60.32
Net Change in Fund Balances	(933,363.15)	(883,453.45)	33,554.10	917,007.55
Fund Balances, Beginning	1,418,134.40	1,418,134.40	1,418,134.40	
Fund Balances, Ending	\$ 484,771.25	\$ 534,680.95	\$ 1,451,688.50	\$ 917,007.55

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 800,513.79	\$ 800,513.79	\$ 692,258.11	\$ (108,255.68)
135,008.50	1,686,656.73	1,473,965.25	(212,691.48)
	60.32	60.32	
935,522.29	2,487,230.84	2,166,283.68	(320,947.16)
350,846.94	1,340,663.00	1,209,875.17	130,787.83
219,811.16	271,890.52	216,931.31	54,959.21
288,781.95	587,839.95	508,902.67	78,937.28
16,367.59	114,187.04	95,607.04	18,580.00
17,174.92	83,205.05	77,409.03	5,796.02
1,750.00	3,404.00	1,654.00	1,750.00
929.48	2,229.48	2,157.00	72.48
3,050.77	14,296.00	11,184.52	3,111.48
6,113.84	6,113.84	1,487.32	4,626.52
9,112.99	9,112.99	4,671.30	4,441.69
21,582.65	54,228.65	36,344.00	17,884.65
935,522.29	2,487,170.52	2,166,223.36	320,947.16
	60.32	60.32	
	(60.32)	(60.32)	
	(60.32)	(60.32)	
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS (Continued)
For the Fiscal Year Ended June 30, 2010**

	Special Revenue - ARRA Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	708,705.49	951,292.05	647,077.05	(304,215.00)
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
Total Revenues	<u>708,705.49</u>	<u>951,292.05</u>	<u>647,077.05</u>	<u>(304,215.00)</u>
Expenditures				
Current - Education:				
Instruction	484,821.81	687,075.66	525,053.66	162,022.00
Pupil Personnel Services	20,000.00	35,474.39	14,394.43	21,079.96
Instructional Media Services				
Instruction and Curriculum Development Services	68,814.51	73,229.51	23,363.00	49,866.51
Instructional Staff Training Services	16,766.00	24,074.95	7,580.04	16,494.91
Instruction Related Technology				
School Board	24,836.17	35,267.95	26,694.95	8,573.00
General Administration				
School Administration				
Facilities Acquisition and Construction				
Fiscal Services				
Central Services				
Pupil Transportation Services				
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services		431.96	431.96	
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	93,467.00	95,737.63	49,559.01	46,178.62
Total Expenditures	<u>708,705.49</u>	<u>951,292.05</u>	<u>647,077.05</u>	<u>304,215.00</u>
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources (Uses)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2009	\$ 0	\$ 3,990,900	\$ 3,990,900	0.0%	\$ 5,754,400	69.4%

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 67,271.26
National School Lunch Program	10.555	300, 350	248,662.61
Summer Food Service Program for Children	10.559	323	1,255.50
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	15,714.57
Total Child Nutrition Cluster			332,903.94
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	40,401.00
Total United States Department of Agriculture			373,304.94
United States Department of Education:			
Direct:			
Safe and Drug Free Schools and Communities - National Programs	84.184	N/A	692,258.11
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	231,192.11
Special Education - Preschool Grants	84.173	267	13,943.91
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	64,351.42
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	4,219.35
Total Special Education Cluster			313,706.79
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	573,493.37
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	135,959.84
Total Title I, Part A Cluster			709,453.21
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	24,691.04
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	15,106.99
Total Education for Homeless Children and Youth Cluster			39,798.03
Education Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	839.60
ARRA - Education Technology State Grants, Recovery Act	84.386	121	5,018.97
Total Educational Technology State Grants Cluster			5,858.57
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	591	337,614.00
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	592	44,405.48
Total State Stabilization Fund Cluster			382,019.48
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	33,561.00
Migrant Education - State Grant Program	84.011	217	22,531.58
Career and Technical Education - Basic Grants to States	84.048	151, 161	52,131.59
Even Start - State Educational Agencies	84.213	219	141,343.65
Twenty-First Century Community Learning Centers	84.287	244	279,997.88
Rural Education	84.358	110	28,416.00
Improving Teacher Quality State Grants	84.367	224	71,823.52
Total Indirect			2,080,641.30
Total United States Department of Education			2,772,899.41
Total Expenditures of Federal Awards			\$ 3,146,204.35

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 - National School Lunch Program. Represents the amount of donated food used during the 2009-10 fiscal year. Donated foods are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lafayette County District School Board as of and for the fiscal year ended June 30, 2010, 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, as described in our report on the Lafayette County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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
January 7, 2011



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Lafayette County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. 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 its 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 OMB *Circular A-133*. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010.

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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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
January 7, 2011

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 a 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 a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the District to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedule and applicable union contracts for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The instructional personnel salary schedule and union contracts did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.

The instructional personnel salary schedule and union contracts allowed for salary supplements for additional responsibilities beyond the standard seven and one-quarter hour day, such as supplements for athletic and department chairpersons; and for school demographics, such as instructional personnel at D or F schools. Salary supplements were also allowed for exceptional student education staffing specialists and speech therapists based on the level of job performance difficulties, and recruitment bonuses for critical shortage areas, such as middle and high school math and science teacher new hires. While the District made supplemental salary payments to instructional personnel for additional responsibilities and level of job performance difficulties, District personnel indicated that no differential salary payments were made based on school demographics and critical shortage areas because there were no D or F schools and there were no

teachers hired in the critical shortage areas. However, since there were no D or F schools for the 2008-09 or 2009-10 fiscal years, the usefulness and relevance of the established school demographic differentiated pay factor was not readily apparent.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule included consideration of differentiated pay based on additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties. For example, District personnel indicated that the schedule evidenced that the differing administrative pay grades for the elementary school and the high school were based on the additional responsibilities, school demographics, and level of job performance difficulties for the high school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 2: Time Records

Effective internal control requires supervisory approval of time worked and leave used by all employees. The District pays contracted employees on a payroll by exception basis in which employees receive their regular pay each period, unless employees use more leave than accumulated, resulting in a reduction to their salary. During the 2009-10 fiscal year, hourly employees maintained time sheets, documenting their arrival and departure times, which supervisors reviewed, approved or disapproved, and signed to evidence this process. Contracted employees followed these same procedures from July 2009 through December 2009. In January 2010, the District began using a new accounting software that provided payroll reports for supervisors to certify employee work time; however, the reports only evidenced the payroll exceptions, such as leave taken, and did not disclose time worked by contracted employees. Consequently, the District maintained no records to evidence supervisory review and approval of contracted employee time worked from January 2010 through June 2010.

Subsequent to our inquiry, District records indicated, in August 2010, that supervisors began reviewing and approving reports evidencing the hours worked and leave taken for each contracted employee. Although our audit tests did not disclose any instances of incorrect salary payments or leave incorrectly posted, when work attendance and leave taken are not timely verified of record, the risk increases that employees may be incorrectly compensated and employee leave balances may be inaccurate.

Recommendation: The District should continue its efforts to ensure that employee work time is appropriately documented, including supervisory review and approval of such time.

Finding No. 3: Information Technology – Written Policies and Procedures

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

As similarly noted in our report No. 2010-098, the District lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), service IDs, administrator IDs, and administrator passwords.
- Requesting, creating, and modifying user accounts and associated access privileges.
- Reviewing user access privileges.

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 IT functions described above.

FEDERAL AWARDS FINDINGS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-098.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010*

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
2010-098 (1)	Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Education Technology State Grants (CFDA No. 84.386); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education, Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); and SFSF – Government Services, Recovery Act (CFDA No. 84.397) / Reporting and Special Tests and Provisions.	Contrary to registration requirements for Federal Awards, the District did not timely register with the Central Contractor Registration database.	Corrected.	District personnel will continue to monitor the reporting requirements as an ARRA grant recipient and ensure timely renewal on the Central Contractor Registration System on an annual basis.

EXHIBIT A
MANAGEMENT'S RESPONSE



THOMAS LASHLEY
SUPERINTENDENT

Lafayette County School Board

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January 7, 2011

Mr. David W. Martin, CPA
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32302

Dear Mr. Martin:

I am in receipt of the preliminary and tentative findings for the fiscal year ending June 30, 2010. The response to the findings is as follows:

Compensation and Salary Schedules: The board will adopt formal policies and procedures to ensure that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules.

Time Records: District personnel have implemented new reports for reviewing and approving the hours worked and leave taken for each contracted employee.

Information Technology - Written Policies and Procedures: District personnel will implement policies and procedures to address the scope and function of the three areas of concern to ensure an effective controlled environment.

I wish to commend Cathy Bandy and Tiffany Wilson from the Lake City Division for conducting this audit in a very timely and professional manner. We value their knowledge and expertise relating to school operations.

Sincerely,

Thomas H. Lashley
Superintendent of Schools

THL/tmm

DARREN DRIVER
DISTRICT ONE

HENRY McCRAY
DISTRICT TWO

TIMOTHY L. PEARSON
DISTRICT THREE

TERRY FILLIYAW
DISTRICT FOUR

REBA TRAWICK
DISTRICT FIVE

- An Equal Opportunity Employer -