

**GULF COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Robert D. Little, III, Vice Chair from 11-18-08	1
George M. Cox, Vice Chair to 11-17-08, Chair from 11-18-08	2
Linda R. Wood, Chair to 11-17-08	3
Billy Charles Quinn, Jr.	4
John W. Wright	5

Tim Wilder, 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 Stanley B. Dillard, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA. For the information technology portion of this audit, the audit team leader was Stephanie J. Hogg, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

**GULF COUNTY DISTRICT SCHOOL BOARD
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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

We noted a certain matter involving the District's internal control over financial reporting and its operations that we consider to be a significant deficiency as summarized below. However, this significant deficiency is not considered to be a material weakness.

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

SIGNIFICANT DEFICIENCY:

Finding No. 1: District procedures to account for the school internal funds continue to need improvement.

ADDITIONAL MATTERS:

Finding No. 2: To ensure compliance with Section 119.071(5)(a), Florida Statutes, policies and procedures could be enhanced for notifying individuals of the need for and use of social security numbers.

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

Finding No. 4: The District had not implemented a formal ongoing security awareness program to protect IT resources.

Finding No. 5: Improvements were needed in controls over the reporting of instructional contact hours to the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I Cluster, Special Education Cluster, and Education Technology programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note an instance of noncompliance as noted below.

Federal Awards Finding No. 1: Contrary to registration requirements for Federal awards, the District did not timely renew its registration in the Central Contractor Registration database.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-082.

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

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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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 Gulf County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 35 percent of the assets and 97 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report 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 Gulf County District School Board as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Gulf County District School Board's internal control over financial reporting and on our tests of its compliance with

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 40 through 42) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
November 18, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Gulf County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

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 11 through 38.

FINANCIAL HIGHLIGHTS

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

- The District's net assets increased by \$2,587,544.34 (or 18 percent). This change is attributable, in part, to the construction and completion of the Pre-K Center at Port St. Joe Elementary.
- The General Fund (the primary operating fund) in the fund financial statements reflects expenditures that exceeded revenues by \$314,364.01. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$1,002,698.39.
- General revenues in the government-wide statements totaled \$19,478,332.71. Program specific revenues in the form of charges for services, grants, or contributions account for \$3,157,229.23.
- The District has \$20,048,017.60 in expenses, including \$3,157,229.23 that are offset by program specific charges for services, grants, or contributions. General revenues, primarily from ad valorem taxes and the Florida Education Finance Program, provided resources for the remaining programs.

OVERVIEW OF FINANCIAL STATEMENTS

The primary focus of the financial statements is on the School District as a whole and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or school district to school district) and enhance the School District's accountability. The basic financial statements consist of three components:

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

In addition to the basic financial statements, management's discussion and analysis and the budgetary comparison schedule are included as required supplementary information.

Government-wide Financial Statements

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

District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

All of the District's activities and services are reported in the government-wide financial 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 nonfinancial factors, such as changes in the District's property tax base and student enrollment.

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 two broad categories as discussed below.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – 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 Special Revenue – ARRA Economic Stimulus 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.

The District uses private-purpose trust funds to account for various privately funded scholarship funds, and uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compares the current year to the prior year.

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

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 4,124,528.65	\$ 5,490,056.51
Capital Assets	15,817,567.50	15,041,097.16
Total Assets	19,942,096.15	20,531,153.67
Long-Term Liabilities	2,560,121.41	4,079,725.92
Other Liabilities	144,882.68	1,801,880.03
Total Liabilities	2,705,004.09	5,881,605.95
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	15,217,567.50	12,666,097.16
Restricted	3,322,856.01	1,481,056.95
Unrestricted (Deficit)	(1,303,331.45)	502,393.61
Total Net Assets	\$ 17,237,092.06	\$ 14,649,547.72

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

The restricted portion of the District’s net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$656,789.96 (after exclusion of \$1,960,121.41 in compensated absences and postemployment healthcare benefits) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

The following schedule summarizes the changes in the District’s net assets for the fiscal years ended June 30, 2009, and June 30, 2008:

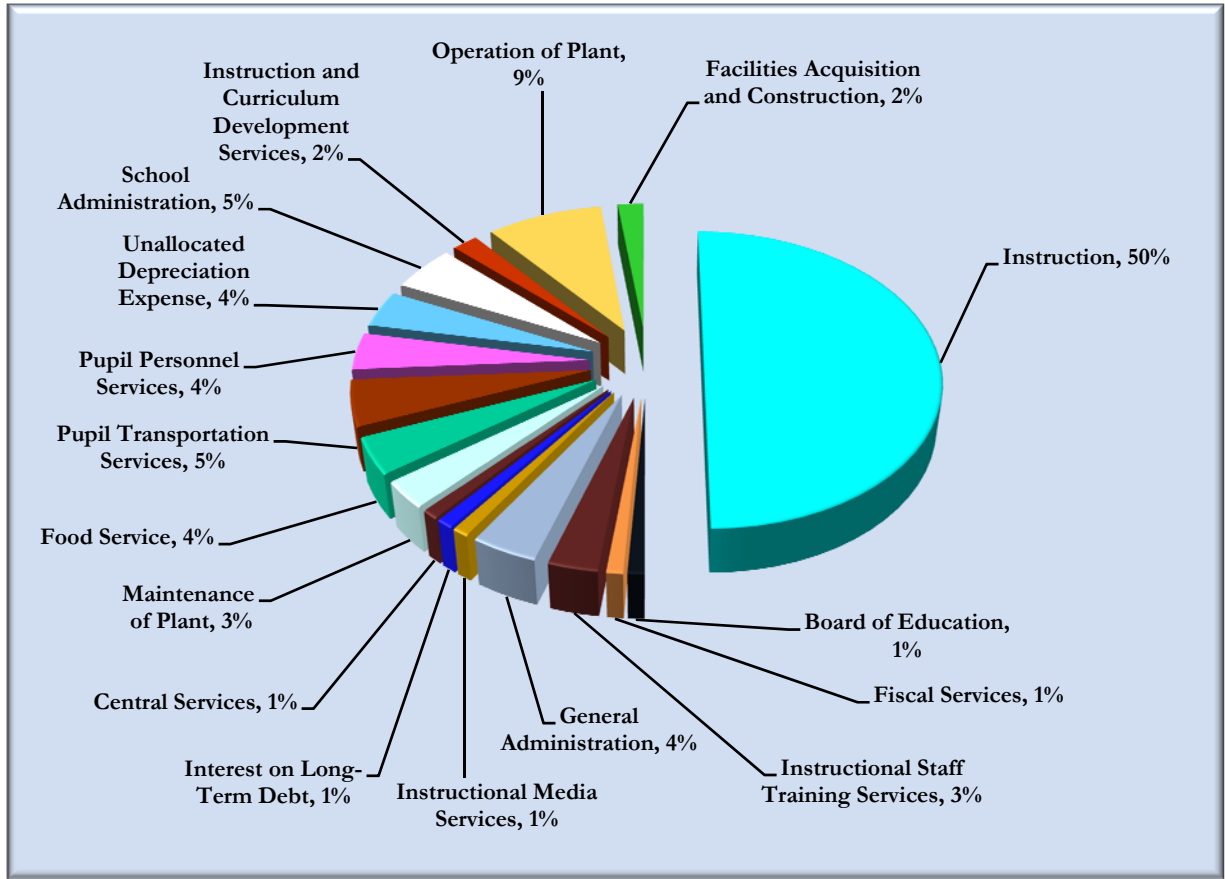
	Operating Results for the Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 414,095.31	\$ 420,623.28
Operating Grants and Contributions	749,418.23	848,887.43
Capital Grants and Contributions	1,993,715.69	971,782.10
General Revenues:		
Property Taxes, Levied for Operational Purposes	11,025,969.16	11,646,170.91
Property Taxes, Levied for Capital Projects	1,532,302.66	1,039,852.88
Local Sales Taxes	533,344.71	534,050.80
Grants and Contributions Not Restricted to Specific Programs	6,023,995.98	5,368,195.41
Unrestricted Investment Earnings	46,190.68	137,844.74
Miscellaneous	316,529.52	362,052.67
Total Revenues	22,635,561.94	21,329,460.22
Functions/Program Expenses:		
Instruction	9,944,745.25	10,637,115.36
Pupil Personnel Services	898,017.44	855,721.35
Instructional Media Services	227,684.42	288,343.51
Instruction and Curriculum Development Services	335,368.07	466,808.54
Instructional Staff Training Services	559,769.27	275,551.07
Instruction Related Technology	59,705.65	88,313.70
Board of Education	165,718.88	171,810.27
General Administration	755,065.85	727,175.61
School Administration	1,124,482.73	1,337,130.68
Facilities Acquisition and Construction	362,276.19	444,576.32
Fiscal Services	261,825.70	249,609.29
Food Services	837,659.07	858,160.24
Central Services	143,796.70	166,849.65
Pupil Transportation Services	980,443.55	1,079,792.96
Operation of Plant	1,724,896.48	1,701,754.17
Maintenance of Plant	604,955.36	773,626.10
Administrative Technology Services	83,564.30	79,893.46
Interest on Long-Term Debt	130,609.37	140,927.17
Unallocated Depreciation Expense	847,433.32	815,096.91
Total Functions/Program Expenses	20,048,017.60	21,158,256.36
Increase in Net Assets	\$ 2,587,544.34	\$ 171,203.86

State revenues increased by \$511,568.85, or 9 percent, primarily due to Classrooms for Kids Program funds totaling \$1,170,198 recognized during the 2008-09 fiscal year.

The largest revenue source is local (61 percent). Revenues from local sources for current operations are primarily received through property taxes.

Instructional expenses represent 50 percent of total governmental expenses in the 2008-09 fiscal year. Instructional expenses decreased by \$692,370.11, or 7 percent, from the previous year due mainly to staffing reductions, caused by the economic decline, and the related decrease in the District’s required contributions to the Florida Retirement System.

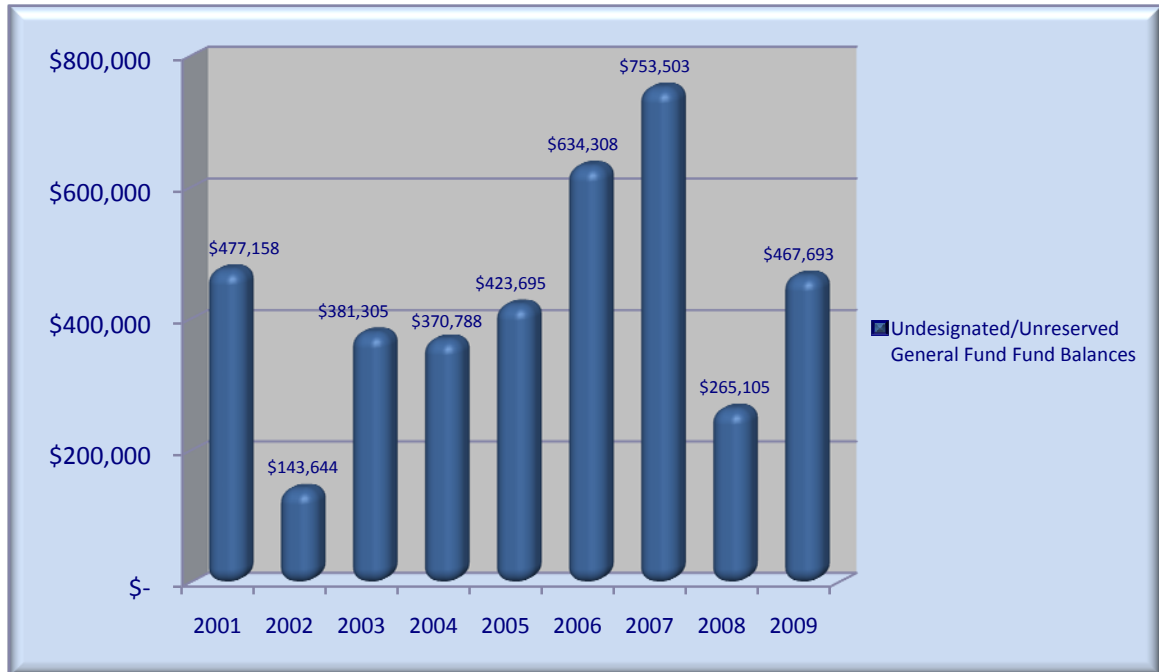
The following graph depicts the distribution of expenditures of the District as a whole.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

This section provides an analysis of the fund balances of the District’s major funds.

- **General Fund.** The Board has established a provision in its strategic plan to provide for an undesignated fund balance at fiscal year-end of 5 percent of Florida Education Finance Program funding. The undesignated/unreserved fund balance of the General Fund had steadily increased over the last few years until 2008. During the 2008-09 fiscal year, the State made significant cut-backs in the District’s appropriations due to the economic condition of the State of Florida. It is expected that this decrease will continue into the 2009-2010 fiscal year. General fund expenditures were reduced by approximately \$1.9 million in an effort to offset these reductions in revenue. The following graph shows the undesignated/unreserved General Fund fund balances from the 2001 to 2009 fiscal years.



- **Special Revenue – ARRA Economic Stimulus Fund.** The ARRA Economic Stimulus Fund has total revenue and expenditures of \$76,715.32.
- **Capital Projects – Public Education Capital Outlay Fund.** The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$2,170,471.04, generated by the State Public Education Capital Outlay and Debt Service Fund, to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and equipment. The fund balance increased \$1,609,544.56, primarily as a result of an increase in State revenues from the previous year.
- **Capital Projects – Local Capital Improvement Fund.** The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$772,479.43. Revenues in this fund totaled \$1,537,218.05. Revenues exceeded expenditures and transfers out, resulting in an increase in fund balance of approximately \$442,412.97.

GENERAL FUND BUDGETARY HIGHLIGHTS

All budget variances for the General Fund were considered normal budget fluctuations.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

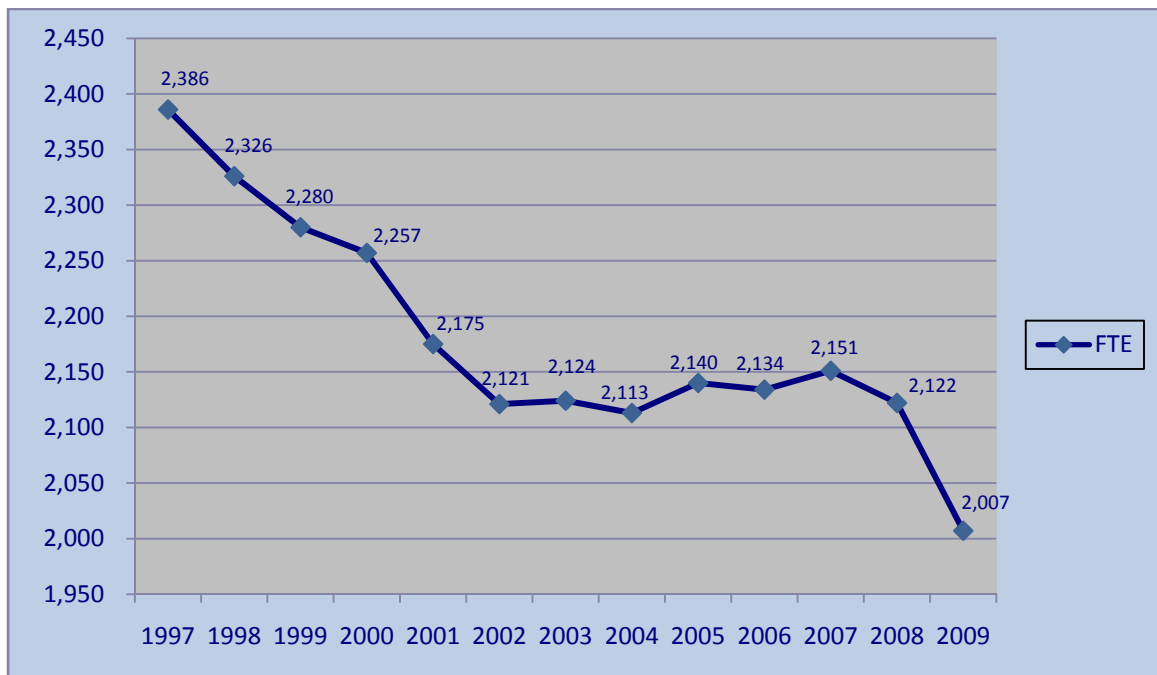
Major capital asset events during the current fiscal year included the construction of the Pre-K Center at Port St. Joe Elementary School. Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

The District did not issue any new long-term debt during the 2008-09 fiscal year and, at this time, there are no plans for issuing any new debt. The District repaid outstanding bonds totaling \$1,735,000 of Sales Tax Revenue Bonds. Additional information on the District’s long-term debt can be found in Notes 5 through 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Student Enrollment and Funding. Revenues from State sources comprise 27 percent of total available resources of the District. Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. As shown in the following chart, the District experienced a 5 percent decrease during the 2009 fiscal year.



REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Gulf County District School Board's finances and to demonstrate compliance and accountability for its resources. Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Gulf County District School Board, 150 Middle School Road, Port St. Joe, FL 32456.

BASIC FINANCIAL STATEMENTS

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

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	1,785,411.95
Investments		37,430.67
Accounts Receivable		7,885.96
Due from Other Agencies		2,235,735.78
Inventories		58,064.29
Capital Assets:		
Nondepreciable Capital Assets		235,576.37
Depreciable Capital Assets, Net		15,581,991.13
		15,581,991.13
TOTAL ASSETS	\$	19,942,096.15
LIABILITIES		
Salaries and Benefits Payable	\$	81,900.00
Payroll Deductions and Withholdings		55,911.89
Due to Other Agencies		7,070.79
Long-Term Liabilities:		
Portion Due Within One Year		318,800.54
Portion Due After One Year		2,241,320.87
		2,241,320.87
Total Liabilities		2,705,004.09
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		15,217,567.50
Restricted for:		
State Categorical Programs		19,993.51
Debt Service		20,919.14
Capital Projects		3,281,943.36
Unrestricted		(1,303,331.45)
		(1,303,331.45)
Total Net Assets		17,237,092.06
TOTAL LIABILITIES AND NET ASSETS	\$	19,942,096.15

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

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

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	\$ 9,944,745.25	\$ 23,315.55	\$	\$	\$ (9,921,429.70)
Pupil Personnel Services	898,017.44				(898,017.44)
Instructional Media Services	227,684.42				(227,684.42)
Instruction and Curriculum Development Services	335,368.07				(335,368.07)
Instructional Staff Training Services	559,769.27				(559,769.27)
Instruction Related Technology	59,705.65				(59,705.65)
Board of Education	165,718.88				(165,718.88)
General Administration	755,065.85				(755,065.85)
School Administration	1,124,482.73				(1,124,482.73)
Facilities Acquisition and Construction	362,276.19			1,733,596.72	1,371,320.53
Fiscal Services	261,825.70				(261,825.70)
Food Services	837,659.07	364,292.00	359,824.23		(113,542.84)
Central Services	143,796.70				(143,796.70)
Pupil Transportation Services	980,443.55	26,487.76	389,594.00		(564,361.79)
Operation of Plant	1,724,896.48				(1,724,896.48)
Maintenance of Plant	604,955.36			189,579.00	(415,376.36)
Administrative Technology Services	83,564.30				(83,564.30)
Interest on Long-Term Debt	130,609.37			70,539.97	(60,069.40)
Unallocated Depreciation Expense	847,433.32				(847,433.32)
Total Governmental Activities	\$ 20,048,017.60	\$ 414,095.31	\$ 749,418.23	\$ 1,993,715.69	(16,890,788.37)
General Revenues:					
Taxes:					
					11,025,969.16
					1,532,302.66
					533,344.71
					6,023,995.98
					46,190.68
					316,529.52
Total General Revenues					19,478,332.71
Change in Net Assets					2,587,544.34
Net Assets - Beginning					14,649,547.72
Net Assets - Ending					\$ 17,237,092.06

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

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ 277,078.50	\$	\$ 452,208.04
Investments	10,979.87		
Accounts Receivable	7,885.96		
Due from Other Funds	94.48		
Due from Other Agencies	457,638.11		1,718,263.00
Inventories	43,433.16		
TOTAL ASSETS	\$ 797,110.08	\$ 0.00	\$ 2,170,471.04
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 81,900.00	\$	\$
Payroll Deductions and Withholdings	55,911.89		
Due to Other Funds			
Due to Other Agencies			
Total Liabilities	137,811.89	0.00	0.00
Fund Balances:			
Reserved for State Categorical Programs	19,993.51		
Reserved for Inventories	43,433.16		
Reserved for Debt Service			
Unreserved:			
Designated for Renovation, Equipment, and Other	128,178.12		
Undesignated, Reported in:			
General Fund	467,693.40		
Special Revenue Funds			
Capital Projects Funds			2,170,471.04
Total Fund Balances	659,298.19	0.00	2,170,471.04
TOTAL LIABILITIES AND FUND BALANCES	\$ 797,110.08	\$ 0.00	\$ 2,170,471.04

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
\$ 711,783.78	\$ 344,341.63	\$ 1,785,411.95
860.98	25,589.82	37,430.67
		7,885.96
		94.48
59,834.67		2,235,735.78
	14,631.13	58,064.29
<u>\$ 772,479.43</u>	<u>\$ 384,562.58</u>	<u>\$ 4,124,623.13</u>
		81,900.00
		55,911.89
	94.48	94.48
	7,070.79	7,070.79
	<u>7,165.27</u>	<u>144,977.16</u>
		19,993.51
	14,631.13	58,064.29
	20,919.14	20,919.14
		128,178.12
		467,693.40
	2,854.15	2,854.15
772,479.43	338,992.89	3,281,943.36
<u>772,479.43</u>	<u>377,397.31</u>	<u>3,979,645.97</u>
<u>\$ 772,479.43</u>	<u>\$ 384,562.58</u>	<u>\$ 4,124,623.13</u>

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

Total Fund Balances - Governmental Funds \$ 3,979,645.97

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. 15,817,567.50

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	\$ 600,000.00	
Postemployment Healthcare Benefits Payable	245,683.00	
Compensated Absences Payable	1,714,438.41	(2,560,121.41)

Total Net Assets - Governmental Activities \$ 17,237,092.06

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

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 28,417.75	\$	\$
Federal Through State and Local State	104,973.51	76,715.32	
	4,024,083.26		1,907,842.00
Local:			
Property Taxes	11,025,969.16		
Local Sales Taxes			
Miscellaneous	359,207.74		173.43
Total Revenues	15,542,651.42	76,715.32	1,908,015.43
Expenditures			
Current - Education:			
Instruction	8,773,303.07	40,809.55	
Pupil Personnel Services	651,814.01	587.40	
Instructional Media Services	221,970.27		
Instruction and Curriculum Development Services	178,442.12		
Instructional Staff Training Services	205,116.05	105.99	
Instruction Related Technology	58,066.30		
Board of Education	165,718.88		
General Administration	676,338.33	175.60	
School Administration	1,097,398.42		
Fiscal Services	268,057.48		
Food Services			
Central Services	140,985.46		
Pupil Transportation Services	942,450.98		
Operation of Plant	1,710,527.01		
Maintenance of Plant	593,553.74		
Administrative Technology Services	81,594.46		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			87,322.21
Other Capital Outlay	91,678.85	35,036.78	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	15,857,015.43	76,715.32	87,322.21
Excess (Deficiency) of Revenues Over Expenditures	(314,364.01)		1,820,693.22
Other Financing Sources (Uses)			
Transfers In	619,448.66		
Insurance Loss Recoveries	28,112.48		
Transfers Out	(112,000.00)		(211,148.66)
Total Other Financing Sources (Uses)	535,561.14		(211,148.66)
Net Change in Fund Balances	221,197.13		1,609,544.56
Fund Balances, Beginning	438,101.06		560,926.48
Fund Balances, Ending	\$ 659,298.19	\$ 0.00	\$ 2,170,471.04

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
\$	\$	\$
	2,528,756.94	28,417.75
	95,127.69	2,710,445.77
		6,027,052.95
1,532,302.66		12,558,271.82
	533,344.71	533,344.71
4,915.39	385,619.90	749,916.46
<u>1,537,218.05</u>	<u>3,542,849.24</u>	<u>22,607,449.46</u>
	940,292.74	9,754,405.36
	229,958.86	882,360.27
		221,970.27
	152,044.68	330,486.80
	348,978.50	554,200.54
		58,066.30
		165,718.88
	69,534.92	746,048.85
		1,097,398.42
		268,057.48
	837,659.07	837,659.07
		140,985.46
	17,307.87	959,758.85
	591.86	1,711,118.87
		593,553.74
		81,594.46
686,505.08	713,865.83	1,487,693.12
	420,690.71	547,406.34
	1,775,000.00	1,775,000.00
	130,609.37	130,609.37
<u>686,505.08</u>	<u>5,636,534.41</u>	<u>22,344,092.45</u>
<u>850,712.97</u>	<u>(2,093,685.17)</u>	<u>263,357.01</u>
	195,279.70	814,728.36
		28,112.48
<u>(408,300.00)</u>	<u>(83,279.70)</u>	<u>(814,728.36)</u>
<u>(408,300.00)</u>	<u>112,000.00</u>	<u>28,112.48</u>
442,412.97	(1,981,685.17)	291,469.49
330,066.46	2,359,082.48	3,688,176.48
<u>\$ 772,479.43</u>	<u>\$ 377,397.31</u>	<u>\$ 3,979,645.97</u>

**GULF COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Governmental Funds \$ 291,469.49

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. 776,470.34

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 debt repayments in the current period. 1,775,000.00

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 earned in excess of the amount paid in the current period. (9,712.49)

Postemployment healthcare benefit costs are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in postemployment healthcare benefits liability for the current period. (245,683.00)

Change in Net Assets - Governmental Activities \$ 2,587,544.34

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

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

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 74,190.62	\$ 243,964.21
LIABILITIES		
Internal Accounts Payable		\$ 243,964.21
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	74,190.62	
TOTAL LIABILITIES AND NET ASSETS	\$ 74,190.62	

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

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

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Gifts	\$ 1,800.00
Investment Earnings:	
Investment Earnings	<u>1,752.20</u>
Total Additions	<u>3,552.20</u>
DEDUCTIONS	
Other Expenses	<u>4,000.00</u>
Change in Net Assets	(447.80)
Net Assets - Beginning	<u>74,638.42</u>
Net Assets - Ending	<u>\$ 74,190.62</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

➤ **Basis of Presentation**

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

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

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

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

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.

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Funds – to account for resources of the George G. Tapper Scholarship Fund, Herman R. Dean Scholarship Fund, Marilyn Witten Scholarship Fund, and James Lamar Faison Scholarship Fund.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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.

➤ **Deposits and Investments**

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

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

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

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

➤ **Inventories**

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

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$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. Land and some buildings acquired or constructed prior to July 1, 1984, are stated at estimated historical cost using

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

price levels at the time of acquisition and, as a result, all of the stated land values and \$1,584,793 of stated building values are based on these estimates.

Buildings and Fixed Equipment are depreciated using the straight-line method, with all other assets being depreciated using the composite method, over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 - 35 years
Buildings and Fixed Equipment	10 - 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**

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the

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

close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms for Kids Program.

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

The School Board adopted the 2008 tax levy on September 11, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Gulf 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.

➤ **Capital Outlay Surtax**

In November 1996, the voters of Gulf County approved a one-half cent school capital outlay surtax on sales in the County for 20 years, effective July 1, 2007, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

➤ **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.

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

Investments, reported as cash equivalents, with a fair value of \$1,196,901.69 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in LGIP is rated AAAM by Standard and Poor's.

Investments with a fair value of \$16,511.53 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

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

In addition, the District reports investments totaling \$20,919.14 at June 30, 2009, in the SBA Debt Service Accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 93,006.47	\$	\$	\$ 93,006.47
Land Improvements - Nondepreciable	124,222.00			124,222.00
Construction in Progress	32,690.40	18,347.90	32,690.40	18,347.90
Total Capital Assets Not Being Depreciated	249,918.87	18,347.90	32,690.40	235,576.37
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	951,326.90	98,293.31		1,049,620.21
Buildings and Fixed Equipment	19,320,150.12	678,360.77		19,998,510.89
Furniture, Fixtures, and Equipment	2,812,127.30	607,687.69	172,938.56	3,246,876.43
Motor Vehicles	2,020,938.01	273,494.00	75,693.00	2,218,739.01
Audio Visual Materials and Computer Software	643,819.46	29,330.00	31,623.71	641,525.75
Total Capital Assets Being Depreciated	25,748,361.79	1,687,165.77	280,255.27	27,155,272.29
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	408,999.70	23,320.07		432,319.77
Buildings and Fixed Equipment	7,669,588.98	578,938.53		8,248,527.51
Furniture, Fixtures, and Equipment	608,180.90	238,246.61	172,938.56	673,488.95
Motor Vehicles	1,661,235.01	48,919.61	75,693.00	1,634,461.62
Audio Visual Materials and Computer Software	609,178.91	6,928.11	31,623.71	584,483.31
Total Accumulated Depreciation	10,957,183.50	896,352.93	280,255.27	11,573,281.16
Total Capital Assets Being Depreciated, Net	14,791,178.29	790,812.84		15,581,991.13
Governmental Activities Capital Assets, Net	\$ 15,041,097.16	\$ 809,160.74	\$ 32,690.40	\$ 15,817,567.50

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 48,919.61
Unallocated	847,433.32
	Total Depreciation Expense - Governmental Activities
	\$ 896,352.93

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2000A	\$ 40,000	5.125	2010
Series 2005B, Refunding	560,000	5.0	2010
Total Bonds Payable	\$ 600,000		

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

➤ **State School Bonds**

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

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 70,050	\$ 40,000	\$ 30,050
2011	73,000	45,000	28,000
2012	70,750	45,000	25,750
2013	73,500	50,000	23,500
2014	71,000	50,000	21,000
2015-2019	364,000	300,000	64,000
2020	73,500	70,000	3,500
Total State School Bonds	\$ 795,800	\$ 600,000	\$ 195,800

6. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 2000A, that mature on or after January 1, 2011, were defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District’s financial statements. On June 30, 2009, State School Bonds, Series 2000A, totaling \$560,000 outstanding are considered defeased in substance.

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 2,375,000.00	\$	\$ 1,775,000.00	\$ 600,000.00	\$ 40,000.00
Compensated Absences Payable	1,704,725.92	100,641.67	90,929.18	1,714,438.41	278,800.54
Postemployment Healthcare Benefits Payable		402,695.00	157,012.00	245,683.00	
Total Governmental Activities	\$ 4,079,725.92	\$ 503,336.67	\$ 2,022,941.18	\$ 2,560,121.41	\$ 318,800.54

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

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 94.48	\$
Nonmajor Governmental		94.48
Total	\$ 94.48	\$ 94.48

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 619,448.66	\$ 112,000.00
Capital Projects:		
Public Education Capital Outlay		211,148.66
Local Capital Improvement		408,300.00
Nonmajor Governmental	195,279.70	83,279.70
Total	\$ 814,728.36	\$ 814,728.36

Transfers to the General Fund were to finance maintenance and renovation projects and to purchase school equipment. Transfers to the Nonmajor Governmental Funds were provided to supplement food service operations and for capital outlay of educational facilities.

9. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009. There were no outstanding purchase orders at June 30, 2009.

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

10. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Categorical Educational Programs:	
Class Size Reduction	\$ 1,961,546.00
Transportation	389,594.00
Instructional Materials	201,013.00
Other	251,205.80
Classrooms for Kids Program	1,170,198.00
Gross Receipts Tax (Public Education Capital Outlay)	737,644.00
Florida Education Finance Program	663,915.00
Workforce Development Program	161,845.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	70,539.97
Discretionary Lottery Funds	46,086.00
Food Service Supplement	9,254.00
Mobile Home License Tax	3,411.41
Miscellaneous	<u>360,800.77</u>
 Total	 <u><u>\$ 6,027,052.95</u></u>

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

11. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	3.697	\$ 9,720,877.43
Basic Discretionary Local Effort	0.498	1,309,439.26
Supplemental Discretionary Local Effort	0.081	212,981.09
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>0.600</u>	<u>1,577,637.67</u>
 Total	 <u><u>4.876</u></u>	 <u><u>\$ 12,820,935.45</u></u>

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

12. FLORIDA RETIREMENT SYSTEM

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 26 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$93,612.61.

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

FRS Retirement Contribution Rates

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

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

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,096,323.27, \$1,069,708.93, and \$983,810.18, respectively, which were equal to the required contributions for each fiscal year.

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

13. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2008-09 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 postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$5,640,386 at the July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical, prescription drug, and life insurance coverages. The District subsidizes the premium rates

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

paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. For the Postemployment Healthcare Benefits Plan, contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 101 retirees received postemployment healthcare benefits. The District provided required contributions of \$157,012 toward the annual OPEB cost. Plan members receiving benefits contributed \$292,659 through their required contributions ranging from \$438 to \$545 per month for retiree-only coverage, and from \$1,107 to \$1,250 for retiree and spouse coverage, depending on the health plan selected.

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

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

Description	Amount
Normal Cost (service cost for one year)	\$ 217,146
Amortization of Unfunded Actuarial Accrued Liability	175,577
Interest on Normal Cost and Amortization	9,972
Annual Required Contribution	402,695
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	402,695
Annual OPEB Cost (Expense)	402,695
Contribution Toward the OPEB Cost	(157,012)
Increase in Net OPEB Obligation	245,683
Net OPEB Obligation, Beginning of Year	245,683
Net OPEB Obligation, End of Year	\$ 245,683

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 (first year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/08	\$ 0	0%	\$ 0
2008-09	402,695	38.99%	245,683

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$5,640,386 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,640,386 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$8,958,328 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 62.96 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 the 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 liability for benefits.

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

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

The District's initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 30 percent initially for the 2008-09 fiscal year, reduced to an ultimate rate of 5 percent after 9 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

14. RISK MANAGEMENT PROGRAMS

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

Health and hospitalization coverage for District employees is being provided through purchased commercial insurance.

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

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 28,000.00	\$ 28,000.00	\$ 28,417.75	\$ 417.75
Federal Through State and Local	89,793.94	139,868.91	104,973.51	(34,895.40)
State	4,633,311.61	4,227,388.31	4,024,083.26	(203,305.05)
Local:				
Property Taxes	10,687,241.00	10,687,241.00	11,025,969.16	338,728.16
Miscellaneous	343,500.00	358,616.64	359,207.74	591.10
Total Revenues	15,781,846.55	15,441,114.86	15,542,651.42	101,536.56
Expenditures				
Current - Education:				
Instruction	9,358,865.67	9,117,869.40	8,773,303.07	344,566.33
Pupil Personnel Services	686,771.00	672,151.40	651,814.01	20,337.39
Instructional Media Services	233,843.00	226,484.61	221,970.27	4,514.34
Instruction and Curriculum Development Services	252,108.00	179,314.52	178,442.12	872.40
Instructional Staff Training Services	217,452.00	209,281.43	205,116.05	4,165.38
Instruction Related Technology	61,936.00	58,167.00	58,066.30	100.70
Board of Education	179,786.00	166,030.58	165,718.88	311.70
General Administration	672,549.00	681,930.05	676,338.33	5,591.72
School Administration	1,113,833.00	1,109,754.49	1,097,398.42	12,356.07
Fiscal Services	284,038.37	268,115.74	268,057.48	58.26
Central Services	144,229.00	141,004.00	140,985.46	18.54
Pupil Transportation Services	953,237.00	978,121.85	942,450.98	35,670.87
Operation of Plant	1,784,865.58	1,714,028.35	1,710,527.01	3,501.34
Maintenance of Plant	610,478.00	594,686.50	593,553.74	1,132.76
Administrative Technology Services	80,750.00	81,615.00	81,594.46	20.54
Fixed Capital Outlay:				
Other Capital Outlay		91,678.85	91,678.85	
Total Expenditures	16,634,741.62	16,290,233.77	15,857,015.43	433,218.34
Deficiency of Revenues Over Expenditures	(852,895.07)	(849,118.91)	(314,364.01)	534,754.90
Other Financing Sources (Uses)				
Transfers In	525,879.00	619,448.66	619,448.66	
Insurance Loss Recoveries	20,540.00	28,112.48	28,112.48	
Transfers Out		(112,000.00)	(112,000.00)	
Total Other Financing Sources (Uses)	546,419.00	535,561.14	535,561.14	
Net Change in Fund Balances	(306,476.07)	(313,557.77)	221,197.13	534,754.90
Fund Balances, Beginning	438,101.06	438,101.06	438,101.06	
Fund Balances, Ending	\$ 131,624.99	\$ 124,543.29	\$ 659,298.19	\$ 534,754.90

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$ 335,790.00	\$ 76,715.32	\$ (259,074.68)
	335,790.00	76,715.32	(259,074.68)
	215,622.00	40,809.55	174,812.45
	9,727.22	587.40	9,139.82
	22,850.00		22,850.00
	31,817.00	105.99	31,711.01
	5,066.00	175.60	4,890.40
	15,671.00		15,671.00
	35,036.78	35,036.78	
	335,790.00	76,715.32	259,074.68
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**GULF COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	\$ 0	\$ 5,640,386	\$ 5,640,386	0 %	\$ 8,958,328	62.96 %

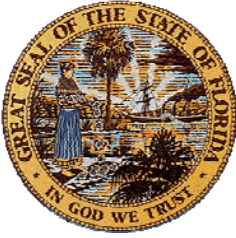
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 45,840.04
National School Lunch Program	10.555	300	282,550.62
Florida Department of Agriculture and Consumer Services:	10.555 (2)		
National School Lunch Program		None	20,966.14
Total United States Department of Agriculture			349,356.80
United States Department of Labor:			
Indirect:			
Florida's Great Northwest, Inc.:			
WIA Pilots, Demonstrations, and Research Projects	17.261	None	20,529.40
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	484,965.36
Special Education - Preschool Grants	84.173	267	22,307.09
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	42,710.15
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	2,024.40
Total Special Education Cluster			552,007.00
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	606,667.20
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	34,005.17
Total Title I, Part A Cluster			640,672.37
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	41,803.21
Career and Technical Education - Basic Grants to States	84.048	161	60,691.19
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	8,178.16
Education Technology State Grants	84.318	121, 122	755,355.65
Rural Education	84.358	110	54,929.83
Improving Teacher Quality State Grants	84.367	224	144,502.45
Washington County District School Board:			
Mathematics and Science Partnerships	84.366	None	148.56
Total United States Department of Education			2,258,288.42
United States Substance Abuse and Mental Health Services Administration:			
Indirect:			
Florida State University:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	R00977	29,705.24
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	46,045.83
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	28,417.75
Total Expenditures of Federal Awards			\$ 2,732,343.44

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 received during the fiscal year. Commodities are valued at fair value as determined at the time of donation.



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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 Gulf County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Gulf 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 *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND**

QUESTIONED COSTS section of this report, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
November 18, 2009



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

Compliance

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

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

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

Internal Control Over Compliance

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

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
November 18, 2009

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 *Circular A-133*? Yes

Identification of major programs: Title I Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); and Education Technology State Grants (CFDA No. 84.318)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

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

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: School Internal Funds

As similarly noted in several of our previous reports, most recently in our report No. 2009-082, improvements could be made in District procedures to control cash collections of the school internal funds. The Board obtained an audit for the 2008-09 fiscal year of the school and activity funds, commonly called the school internal funds, which represents 35 percent of the assets and 97 percent of the liabilities of the aggregate remaining fund information. The audit report cited significant control deficiencies addressing the lack of prenumbered receipts for cash collections. In December 2008, District personnel informed us that prenumbered receipts would be required at all schools; however, as noted in the auditor’s report, dated August 2009, the schools still had not implemented these controls. Without the use of prenumbered receipts, the risk of errors or fraud increases greatly.

Recommendation: The District should take appropriate action to ensure that schools maintain proper cash collection controls over school internal funds.

ADDITIONAL MATTERS

Finding No. 2: Collection of Social Security Numbers

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

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

The District maintains payroll register and student record reports that identify individuals by designated numbers that are not SSNs, but obtains SSNs for other purposes such as insurance, withholding taxes, background checks, and citizenship verifications of new employees, background checks of vendor employees, and registration of new students. While the Board has a policy that addresses the District's responsibility for collection, notification, review, and confidentiality of employee SSNs, the policy does not address the District's responsibilities related to the collection of student and vendor employee SSNs. Additionally, the District had not implemented procedures to provide any individuals with copies of written statements indicating the purposes for collecting the SSNs, contrary to Section 119.071(5)(a), Florida Statutes. In response to our inquiries, the District noted that it is seeking guidance on how to implement procedures to comply with the above requirements. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. A similar finding was noted in our report No. 2009-082.

Recommendation: The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, by enhancing its SSN policy to address the collection of SSNs from all individuals, such as students and vendor employees, and properly notifying individuals of the need for and use of social security numbers.

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. 2009-082, the District lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), administrator IDs, administrator passwords, guest accounts, and security devices (such as firewalls and routers).
- Prohibiting administrator rights on the workstations of end users.
- Revoking access privileges of former or reassigned employees, consultants, and vendors.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

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

Finding No. 4: Information Technology – Security Awareness

A security awareness training program facilitates employees' education and training on security responsibilities, including data classification and acceptable or prohibited methods for storage and transmission, Internet and e-mail usage, password protection and usage, and workstation controls. Requiring employees to sign a statement, on an annual basis, acknowledging awareness and acceptance of security responsibilities is an important part of such a program.

As similarly noted in our report No. 2009-082, the District had not implemented a formal ongoing security awareness training program to apprise new employees of, or reemphasize to current employees, the importance of preserving the integrity, confidentiality, and availability of data and IT resources entrusted to them. Also, although the District had

an Acceptable Use Policy containing guidelines on the use of IT resources, the District did not require employees to sign an annual acknowledgment that they had read and understood the applicable policies. Included in the data maintained by the District's IT systems are significant nonpublic records (e.g., student record information and other records that contain sensitive information). The District's failure to implement a formal ongoing security awareness training program increases the risk that the District's IT resources could be unintentionally compromised by employees while performing their assigned duties.

Recommendation: To minimize misuse of IT resources, the District should promote security awareness through ongoing training programs to ensure that its employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

Finding No. 5: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours stated that institutions must develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule. Additionally, FDOE procedures for reporting instructional hours stated that if a student withdraws and reenrolls in the same class, the institution is to report the student hours from the first date of enrollment to the final withdrawal date or the end of class, whichever is sooner.

Our review disclosed that improvements were needed in controls over enrollment reporting. The District reported 55,864 hours for adult general education classes to FDOE. We tested 4,487 hours reported for 30 students enrolled in 81 adult general education classes, and noted exceptions in the enrollment reporting for 14 of the students tested. Our tests disclosed that the exceptions occurred because District personnel mistakenly believed that the District should report hours for reenrolled students based on the reenrollment date, instead of using the first enrollment date as required, and the District inadvertently recorded the wrong entry and exit dates in some instances. As a result, the District underreported 662 hours, ranging from 76 hours underreported to 39 hours overreported. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2009-082.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Programs: ARRA: 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 – Education State Grants, Recovery Act (CFDA No. 84.394); and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA No. 84.397)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Reporting and Special Tests and Provisions. The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds and measure results, recipients are required to report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store, and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to initially register in CCR to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

The Florida Department of Education (FDOE) approved ARRA Federal funding for the District to administer, as shown in the table below:

Grant (CFDA Number)	Award Amount
ARRA – Title I (84.389)	\$ 100,920
ARRA – Special Education (84.391)	455,400
ARRA – Special Education Preschool (84.392)	14,399
ARRA – State Fiscal Stabilization – Education (84.394)	612,375
ARRA – State Fiscal Stabilization – Government (84.397)	23,021

District records indicated that the award periods for these grants started on dates ranging from April 2009 through July 2009, and the grant periods ended on dates ranging from June 2010 through September 2011. Our review of District records and inquiry with District personnel disclosed that while the District had renewed its registration in CCR in January 2008, this registration expired in January 2009, because it had not been updated or renewed. Subsequent to our inquiries, in September 2009, the Assistant Superintendent for Business Services (Assistant Superintendent) renewed the District’s registration with CCR, and the District indicated that the Assistant Superintendent would be responsible for future renewals with CCR. Without timely renewal in the CCR system, the District may be limited in its eligibility to receive ARRA Federal funds.

Recommendation: The District should continue its efforts to ensure timely renewal in the Central Contractor Registration website on an annual basis as required.

District Contact Person: Bill Carr, Assistant Superintendent for Business Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-082.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2009-082		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



TIM WILDER, SUPERINTENDENT

150 MIDDLE SCHOOL ROAD • PORT ST. JOE, FLORIDA 32456 • PHONE: (850) 229-8256 or (850) 639-2871 • FAX (850) 229-6089

November 12, 2009

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

Dear Mr. Martin:

Please find below responses to the Preliminary and Tentative Audit Findings and Recommendations for the Fiscal Year Ended June 30, 2009, for the Gulf County District School Board.

Finding #1

Response: At his September 22, 2009, Principals' Meeting, Superintendent Wilder reiterated to all principals that they absolutely must ensure that pre-numbered receipts are utilized at their school sites. This requirement has also been incorporated into the District's Employee Handbook. Currently the district staff is auditing each school to ensure these procedures are being implemented.

Finding #2

Response: District staff is currently in the process of notifying employees, applicants and vendors of the requirements of Florida Statute 119.071(5)(a) regarding the proper collection and use of Social Security Numbers.

Finding #3

Response: The District will work on written policies and procedures for information technology functions.

Tomorrow's Future Begins In Today's Classrooms

DANNY LITTLE
DISTRICT 1

GEORGE M. COX
DISTRICT 2

LINDA ROBERTS WOOD
DISTRICT 3

BILLY C. QUINN, JR.
DISTRICT 4

JOHN W. WRIGHT
DISTRICT 5

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

09 Response
Page 2

Finding #4

Response: The District has begun the process of ongoing training to ensure employees are aware of their responsibility to maintain confidentiality and integrity in handling information.

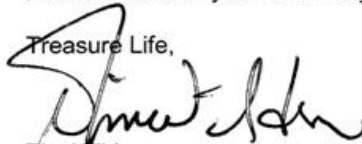
Finding #5

Response: Pertinent employees have been trained regarding procedural guidelines for enrollments and withdrawals. The District Procedures Manual will also include these guidelines and procedures.

Federal Finding #1

Response: The District is currently registered and in compliance.

Please contact my office if I may provide further information or assistance.

Treasure Life,

Tim Wilder
Superintendent

pcs: School Board Members
sworley@gulf.k12.fl.us
pattycrutchfield@aud.state.fl.us
gregcenters@aud.state.fl.us