

**GILCHRIST COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Cloud E. Haley, Vice Chair to 11-17-08, Chair from 11-18-08	1
Robert B. Clemons, Chair to 11-17-08, Vice Chair from 11-18-08	2
Robert G. Rankin	3
Lois A. Fletcher to 11-17-08	4
Julie C. Thomas from 11-18-08	4
K. Michelle Carter	5
Donald A. Thomas, Superintendent from 11-18-08	
James E. Vickers, Superintendent to 11-17-08	

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

The audit team leader was Anna C. Kroll, and the audit was supervised by Philip B. Ciano, CPA. For the information technology portion of this audit, the audit team leader was Danielle M. Alvarez, CISA, and supervised by 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.

**GILCHRIST 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 could be improved for reporting information on the Schedule of Expenditures of Federal Awards.

ADDITIONAL MATTERS:

Finding No. 2: The District did not perform a complete physical inventory of computer equipment, contrary to rules of the Florida Department of Financial Services.

Finding No. 3: The District made certain inaccurate and untimely Federal withholding and social security tax payments, resulting in penalty payments totaling \$15,627.87 to the Internal Revenue Service.

Finding No. 4: The District's management of information technology (IT) access privileges needed improvement.

Finding No. 5: The District's IT security controls related to user authentication needed improvement.

Finding No. 6: The District lacked written policies and procedures for certain IT functions.

Finding No. 7: The District had not implemented a formal ongoing security awareness program to protect IT resources.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster and the Hazard Mitigation Grant 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 a compliance finding as summarized below:

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

Audit Objectives and Scope

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

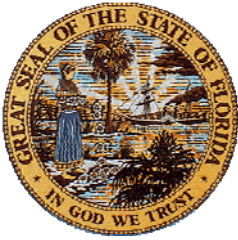
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2009-097.

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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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 Gilchrist 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 40 percent of the assets and 94 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. 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 Gilchrist 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 Gilchrist 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 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 38 through 40) 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
January 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Gilchrist County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. 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 9 through 36.

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$400,007.95, which represents a 0.9 percent increase from the 2007-08 fiscal year.
- General revenues total \$22,794,857.06, or 87.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$3,386,114.32, or 12.9 percent.
- Expenses total \$25,780,963.43; only \$689,270.56 of these expenses were offset by program specific charges, with the remainder paid from grants and contributions and general revenues. Total revenues exceeded total expenses by \$400,007.95.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$752,974.05 at June 30, 2009, or 3.6 percent of total General Fund expenditures.
- The District's total debt decreased by \$325,000, or 32.7 percent.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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 primary government 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 instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, State revenues, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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, the Special Revenue – Other Fund, the Capital Projects – Public Education Capital Outlay Fund, and the Capital Projects - Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

The District uses agency funds to account for resources held for student activities and groups and to account for the activity of the employee medical and dependent care reimbursement program.

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

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	\$ 2,629,930.37	\$ 2,261,981.25
Capital Assets	44,670,803.04	44,698,805.95
Total Assets	47,300,733.41	46,960,787.20
Long-Term Liabilities	1,664,556.32	1,810,726.99
Other Liabilities	728,628.66	642,519.73
Total Liabilities	2,393,184.98	2,453,246.72
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	44,000,803.04	43,703,805.95
Restricted	868,154.15	1,037,236.82
Unrestricted (Deficit)	38,591.24	(233,502.29)
Total Net Assets	\$ 44,907,548.43	\$44,507,540.48

The largest portion of the District’s net assets (98 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (1.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (0.1 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 689,270.56	\$ 770,902.46
Operating Grants and Contributions	1,544,670.55	1,567,527.56
Capital Grants and Contributions	1,152,173.21	2,068,728.57
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,280,293.86	3,777,085.45
Property Taxes, Levied for Capital Projects	1,248,094.08	1,340,689.91
Grants and Contributions Not Restricted to Specific Programs	16,906,862.21	18,566,010.08
Unrestricted Investment Earnings	45,468.89	135,680.23
Miscellaneous	314,138.02	259,402.43
Total Revenues	26,180,971.38	28,486,026.69
Functions/Program Expenses:		
Instruction	13,274,119.88	14,340,787.20
Pupil Personnel Services	1,465,707.60	1,272,351.02
Instructional Media Services	420,918.65	389,522.99
Instruction and Curriculum Development Services	611,460.25	521,075.74
Instructional Staff Training	114,157.39	42,156.92
Instruction Related Technology	201,191.48	185,227.98
Board of Education	305,411.38	266,525.28
General Administration	300,733.62	352,667.07
School Administration	1,103,666.56	1,292,528.93
Facilities Acquisition and Construction	147,133.43	621,993.35
Fiscal Services	319,069.18	355,814.72
Food Services	1,406,783.65	1,548,727.50
Central Services	309,856.80	436,524.42
Pupil Transportation Services	1,238,746.00	1,390,318.13
Operation of Plant	2,382,968.15	2,551,009.31
Maintenance of Plant	682,663.81	1,041,047.25
Administrative Technology Services	17,849.74	22,530.95
Community Services	36,644.13	45,012.99
Interest on Long-Term Debt	64,975.51	62,858.80
Unallocated Depreciation Expense	1,375,315.44	1,268,585.18
Loss on Disposal of Capital Assets	1,590.78	64,068.82
Total Functions/Program Expenses	25,780,963.43	28,071,334.55
Increase in Net Assets	\$ 400,007.95	\$ 414,692.14

The increase in net assets is mainly attributable to the receipt of a Federal Hazard Mitigation Grant and an increase in property tax revenues.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$752,974.05 while the total fund balance is \$1,022,064.76. The unreserved fund balance increased by \$291,780.25, while the total fund balance increased by \$464,251.42 during the fiscal year. Key factors in this growth are an increase in property taxes for operating purposes and a reduction in costs of instruction.

The Special Revenue – Other Fund accounted for Federal grants administered through the State cash advance system. During the 2008-09 fiscal year, this fund had expenditures, totaling \$1,778,423.18, representing an increase of \$155,295.65 from the previous year. The increase was due to an increase in Federal funding received through the Florida Department of Education.

The Capital Projects – Public Education Capital Outlay Fund had expenditures totaling \$399,142.66, which were primarily used for completion of a classroom wing addition at Trenton Elementary School.

The Capital Projects – Local Capital Improvement Fund revenues decreased \$102,294.58 from the previous year because of decreases in tax revenue. In addition, expenditures decreased by \$346,270.25 due to the completion of the Trenton Elementary School wing addition.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues and other financing sources amounting to \$619,999.65, or 2.8 percent. At the same time, final budgeted expenditures and other financing uses were less than the original budgeted amounts by \$171,176.93. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$540,087.06, or 2.5 percent less than final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$359,622.87.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$44,670,803.04 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

The District has two elementary schools and two middle/high schools. Since 1996, the two elementary schools have been newly constructed and the two middle/high schools have been completely renovated and remodeled.

The increase in capital assets is mainly attributable to the Federal Hazard Mitigation Grant generator donation.

Additional information on the District's capital assets can be found in the notes to financial statements.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$670,000. This amount is comprised entirely of bonds payable. There are four separate bond issues coming to maturity in 2010, 2011, 2016, and 2020. Three of the four bonds are paid from special State allocations for debt service. During the year, the retirement of debt amounted to \$325,000.

Additional information on the District's long-term debt can be found in the notes to financial statements.

OTHER MATTERS OF SIGNIFICANCE

The Gilchrist County District School Board is carefully monitoring its financial condition in an environment of uncertain State resources. Also, the student population is becoming more of a concern with projections reflecting a decrease of 32 students for the 2009-10 fiscal year. In addition, the District levies impact fees on new real estate development in the county. In light of uncertain economic times, the District will continue to closely monitor its financial position. If the economy continues to decline and revenues fall, the Administration and Board will be faced with challenges to make changes in order to keep the District financially sound.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional information should be addressed to David Dose, Director of Finance, 310 NW 11th Avenue, Trenton, Florida 32693.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,007,886.14
Cash with Fiscal Agent	92,108.00
Investments	20,593.28
Taxes Receivable	9,965.26
Due from Other Agencies	452,481.51
Inventories	46,896.18
Capital Assets:	
Nondepreciable Capital Assets	1,166,135.04
Depreciable Capital Assets, Net	43,504,668.00
	<u>47,300,733.41</u>
TOTAL ASSETS	\$ 47,300,733.41
LIABILITIES	
Payroll Deductions and Withholdings	\$ 203,455.68
Accounts Payable	93,129.71
Due to Other Agencies	1,511.16
Deferred Revenue	404,410.19
Estimated Insurance Claims Payable	26,121.92
Long-Term Liabilities:	
Portion Due Within One Year	230,662.41
Portion Due After One Year	1,433,893.91
	<u>2,393,184.98</u>
Total Liabilities	2,393,184.98
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	44,000,803.04
Restricted for:	
State Categorical Programs	55,134.62
Debt Service	109,340.42
Capital Projects	611,571.11
Other Purposes	92,108.00
Unrestricted	38,591.24
	<u>44,907,548.43</u>
Total Net Assets	44,907,548.43
TOTAL LIABILITIES AND NET ASSETS	\$ 47,300,733.41

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

**GILCHRIST 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 <u>Governmental Activities</u>
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 13,274,119.88	\$ 154,729.05	\$	\$	\$ (13,119,390.83)
Pupil Personnel Services	1,465,707.60				(1,465,707.60)
Instructional Media Services	420,918.65				(420,918.65)
Instruction and Curriculum Development Services	611,460.25				(611,460.25)
Instructional Staff Training Services	114,157.39				(114,157.39)
Instruction Related Technology	201,191.48				(201,191.48)
Board of Education	305,411.38				(305,411.38)
General Administration	300,733.62				(300,733.62)
School Administration	1,103,666.56				(1,103,666.56)
Facilities Acquisition and Construction	147,133.43			976,390.12	829,256.69
Fiscal Services	319,069.18				(319,069.18)
Food Services	1,406,783.65	517,923.96	899,249.55		10,389.86
Central Services	309,856.80				(309,856.80)
Pupil Transportation Services	1,238,746.00	16,617.55	645,421.00		(576,707.45)
Operation of Plant	2,382,968.15				(2,382,968.15)
Maintenance of Plant	682,663.81				(682,663.81)
Administrative Technology Services	17,849.74				(17,849.74)
Community Services	36,644.13				(36,644.13)
Interest on Long-Term Debt	64,975.51			175,783.09	110,807.58
Unallocated Depreciation Expense	1,375,315.44				(1,375,315.44)
Loss on Disposal of Capital Assets	1,590.78				(1,590.78)
Total Governmental Activities	\$ 25,780,963.43	\$ 689,270.56	\$ 1,544,670.55	\$ 1,152,173.21	(22,394,849.11)
General Revenues:					
Taxes:					
					4,280,293.86
					1,248,094.08
					16,906,862.21
					45,468.89
					314,138.02
Total General Revenues					22,794,857.06
Change in Net Assets					400,007.95
Net Assets - Beginning					44,507,540.48
Net Assets - Ending					\$ 44,907,548.43

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

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

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,263,010.63	\$	\$
Cash with Fiscal Agent	92,108.00		
Investments	4,796.61		
Taxes Receivable	7,493.73		
Due from Other Funds	113,006.15		
Due from Other Agencies	38,639.08	114,517.31	223,946.00
Inventories			
	\$ 1,519,054.20	\$ 114,517.31	\$ 223,946.00
TOTAL ASSETS			
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 203,455.68	\$	\$
Accounts Payable	86,947.65		
Due to Other Funds		113,006.15	
Due to Other Agencies		1,511.16	
Deferred Revenue	180,464.19		223,946.00
Estimated Insurance Claims Payable	26,121.92		
	496,989.44	114,517.31	223,946.00
Total Liabilities			
Fund Balances:			
Reserved for State Categorical Programs	55,134.62		
Reserved for Encumbrances	121,848.09		
Reserved for Debt Service			
Reserved for Other Purposes	92,108.00		
Unreserved, Reported in:			
General Fund	752,974.05		
Special Revenue Funds			
Capital Projects Funds			
	1,022,064.76		
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,519,054.20	\$ 114,517.31	\$ 223,946.00

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
\$ 528,519.98	\$ 216,355.53	\$ 2,007,886.14
	15,796.67	92,108.00
2,471.53		20,593.28
		9,965.26
	75,379.12	113,006.15
	46,896.18	452,481.51
<u>\$ 530,991.51</u>	<u>\$ 354,427.50</u>	<u>\$ 2,742,936.52</u>
\$	\$ 6,182.06	\$ 203,455.68
		93,129.71
		113,006.15
		1,511.16
		404,410.19
		26,121.92
	<u>6,182.06</u>	<u>841,634.81</u>
1,541.00	2,015.00	55,134.62
	109,340.42	125,404.09
		109,340.42
		92,108.00
		752,974.05
529,450.51	154,769.42	154,769.42
	82,120.60	611,571.11
<u>530,991.51</u>	<u>348,245.44</u>	<u>1,901,301.71</u>
<u>\$ 530,991.51</u>	<u>\$ 354,427.50</u>	<u>\$ 2,742,936.52</u>

**GILCHRIST 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	\$	1,901,301.71
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		44,670,803.04
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ 670,000.00	
Compensated Absences Payable	902,933.32	
Postemployment Healthcare Benefits Payable	91,623.00	(1,664,556.32)

Total Net Assets - Governmental Activities	\$	<u>44,907,548.43</u>
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The accompanying notes to financial statements are an integral part of this statement.

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**GILCHRIST 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 - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 50,864.59	\$	\$
Federal Through State and Local	207,996.79	1,777,816.57	
State	15,835,001.07		
Local:			
Property Taxes	4,280,293.86		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	504,352.59	606.61	1,350.29
Total Revenues	20,878,508.90	1,778,423.18	1,350.29
Expenditures			
Current - Education:			
Instruction	11,816,989.00	1,330,177.74	
Pupil Personnel Services	1,213,619.69	239,219.30	
Instructional Media Services	415,111.33	2,117.05	
Instruction and Curriculum Development Services	472,374.78	133,468.44	
Instructional Staff Training Services	101,081.53	12,049.94	
Instruction Related Technology	194,053.42	5,580.73	
Board of Education	303,272.78	606.61	
General Administration	254,009.52	44,670.77	
School Administration	1,093,232.44		
Facilities Acquisition and Construction	38,582.55		68,768.82
Fiscal Services	316,714.18		
Food Services	5,600.07		
Central Services	305,510.97	2,045.35	
Pupil Transportation Services	1,078,766.12		
Operation of Plant	2,380,063.32	16.25	
Maintenance of Plant	679,235.93		
Administrative Technology Services	17,849.74		
Community Services	36,533.18		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	324,336.28		314,758.14
Other Capital Outlay	3,399.98	8,471.00	15,615.70
Debt Service:			
Principal			
Interest and Fiscal Charges	15,181.25		
Total Expenditures	21,065,518.06	1,778,423.18	399,142.66
Excess (Deficiency) of Revenues Over Expenditures	(187,009.16)		(397,792.37)
Other Financing Sources (Uses)			
Transfers In	735,688.94		
Insurance Loss Recoveries	15,571.64		
Transfers Out	(100,000.00)		(4,586.45)
Total Other Financing Sources (Uses)	651,260.58		(4,586.45)
Net Change in Fund Balances	464,251.42		(402,378.82)
Fund Balances, Beginning	557,813.34		402,378.82
Fund Balances, Ending	\$ 1,022,064.76	\$ 0.00	\$ 0.00

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
\$	\$	\$
	877,866.55	50,864.59
	228,452.62	2,863,679.91
1,248,094.08		16,063,453.69
	50,480.15	5,528,387.94
	517,923.96	50,480.15
5,801.19	3,271.19	517,923.96
<u>1,253,895.27</u>	<u>1,677,994.47</u>	<u>515,381.87</u>
		13,147,166.74
		1,452,838.99
		417,228.38
		605,843.22
		113,131.47
		199,634.15
		303,879.39
		298,680.29
		1,093,232.44
63,144.03		170,495.40
		316,714.18
	1,394,694.31	1,400,294.38
		307,556.32
		1,078,766.12
		2,380,079.57
		679,235.93
		17,849.74
		36,533.18
124,547.67	123,639.39	887,281.48
		27,486.68
200,000.00	125,000.00	325,000.00
5,382.72	44,411.54	64,975.51
<u>393,074.42</u>	<u>1,687,745.24</u>	<u>25,323,903.56</u>
<u>860,820.85</u>	<u>(9,750.77)</u>	<u>266,268.55</u>
	100,000.00	835,688.94
		15,571.64
(722,167.60)	(8,934.89)	(835,688.94)
<u>(722,167.60)</u>	<u>91,065.11</u>	<u>15,571.64</u>
138,653.25	81,314.34	281,840.19
392,338.26	266,931.10	1,619,461.52
<u>\$ 530,991.51</u>	<u>\$ 348,245.44</u>	<u>\$ 1,901,301.71</u>

**GILCHRIST 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 \$ 281,840.19

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. The following details the amount of depreciation expense in excess of capital outlays:

Fixed Capital Outlay	926,259.15	
Depreciation Expense	<u>(1,527,898.91)</u>	(601,639.76)

The donation of capital assets is not reported in the governmental funds. However, in the statement of activities, acquisition of the assets are reported as a revenue and the value at the date acquired is allocated over their estimated useful lives as depreciation expense. 575,227.63

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. The following details long-term debt repayments in the current period:

Principal Repayment - Note Payable	200,000.00	
Principal Repayment - Bonds Payable	<u>125,000.00</u>	325,000.00

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (1,590.78)

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. (87,206.33)

Postemployment healthcare benefits 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 the postemployment healthcare benefits liability for the current fiscal year. (91,623.00)

Change in Net Assets - Governmental Activities \$ 400,007.95

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

**GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 253,824.00
LIABILITIES	
Internal Accounts Payable	\$ 245,453.00
Deposits Payable	8,371.00
TOTAL LIABILITIES	\$ 253,824.00

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

**GILCHRIST 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 Gilchrist County School District is considered part of the Florida system of public education. The governing body of the school district is the Gilchrist 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 Gilchrist County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on 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, which consists of the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the 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 not readily associated with a particular function and is reported as unallocated.

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

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

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

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

governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources received from the State’s gross receipts tax revenues to be used for educational capital outlay needs, including new construction, maintenance, repairs, and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities and to account for the District employees’ medical and dependent reimbursement program.
- **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 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

➤ **Deposits and Investments**

The amounts reported as cash and cash equivalents consist of 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 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.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on 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 purchased during the year and are adjusted at fiscal year-end to reflect year-end physical inventory.

➤ **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 \$1,000. 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 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 or retirement.

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 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.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 16, 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 and the governmental fund financial statements when the taxes are received by the District, except that revenue is accrued for taxes collected by the Gilchrist 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.

➤ **Educational Impact Fees**

Gilchrist County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2005. The educational impact fee is collected by the County for most new residential construction and is to be used for providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include land acquisition, facility design and construction costs, furniture and equipment, and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. The impact fee collected is to be returned to the current owner of the property on behalf of which the fee was paid if the fee collected has not been expended or encumbered prior to the end of the fiscal year immediately following the sixth anniversary of the date upon which the fee was paid. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

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

Investments reported as cash equivalents with a fair value of \$1,778,241.63 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in LGIP is rated AAAm by Standard & Poor's.

Investments with a fair value of \$4,796.61 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.

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

However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District’s investment in Fund B is unrated.

In addition, the District reports investments totaling \$15,796.67 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	\$ 288,351.13	\$	\$	\$ 288,351.13
Construction in Progress	1,566,079.20	877,783.91	1,566,079.20	877,783.91
Total Capital Assets Not Being Depreciated	<u>1,854,430.33</u>	<u>877,783.91</u>	<u>1,566,079.20</u>	<u>1,166,135.04</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,962,089.29			1,962,089.29
Buildings and Fixed Equipment	53,672,927.25	2,149,604.41		55,822,531.66
Furniture, Fixtures, and Equipment	2,203,476.49	40,177.66	38,196.19	2,205,457.96
Motor Vehicles	2,238,343.00		25,393.00	2,212,950.00
Audio Visual Materials and Computer Software	593,078.53			593,078.53
Total Capital Assets Being Depreciated	<u>60,669,914.56</u>	<u>2,189,782.07</u>	<u>63,589.19</u>	<u>62,796,107.44</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,391,304.27	71,762.66		1,463,066.93
Buildings and Fixed Equipment	12,666,769.76	1,094,092.47		13,760,862.23
Furniture, Fixtures, and Equipment	1,810,698.65	165,377.27	36,605.41	1,939,470.51
Motor Vehicles	1,432,479.84	152,583.47	25,393.00	1,559,670.31
Audio Visual Materials and Computer Software	524,286.42	44,083.04		568,369.46
Total Accumulated Depreciation	<u>17,825,538.94</u>	<u>1,527,898.91</u>	<u>61,998.41</u>	<u>19,291,439.44</u>
Total Capital Assets Being Depreciated, Net	<u>42,844,375.62</u>	<u>661,883.16</u>	<u>1,590.78</u>	<u>43,504,668.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,698,805.95</u>	<u>\$ 1,539,667.07</u>	<u>\$ 1,567,669.98</u>	<u>\$ 44,670,803.04</u>

**GILCHRIST 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	\$ 152,583.47
Unallocated	1,375,315.44
Total Depreciation Expense - Governmental Activities	\$ 1,527,898.91

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$	\$ 1,500,000	\$ 1,500,000	\$

On November 18, 2008, the Board approved a resolution to negotiate and secure a loan authorized by Section 1011.13, Florida Statutes, for an amount not to exceed \$1,500,000. The proceeds were to be used for any and all lawful expenses incurred in the operation of the schools of the District, and to be paid in full before borrowing money in any succeeding year. The full amount of the loan was drawn by the District on November 25, 2008, and repaid on February 27, 2009, with interest of \$15,181.25.

6. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2000A	\$ 10,000	5.125	2010
Series 2005A	380,000	5.0	2016
Series 2005B, Refunding	110,000	5.0	2020
District Revenue Bonds:			
Series 1990	170,000	7.875	2011
Total Bonds Payable	\$ 670,000		

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

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.

➤ **District Revenue Bonds**

These bonds are authorized by Chapters 90-399 and 90-467, Laws of Florida, which provide that the bonds be secured from the first \$100,000 of pari-mutuel tax proceeds distributed annually to Gilchrist County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by Gilchrist County to the District. As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

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

Fiscal Year Ending June 30	Total	Principial	Interest
State School Bonds:			
2010	\$ 80,012.50	\$ 55,000.00	\$ 25,012.50
2011	77,250.00	55,000.00	22,250.00
2012	79,500.00	60,000.00	19,500.00
2013	81,500.00	65,000.00	16,500.00
2014	78,250.00	65,000.00	13,250.00
2015-2019	208,000.00	185,000.00	23,000.00
2020	15,750.00	15,000.00	750.00
Total State School Bonds	620,262.50	500,000.00	120,262.50
District Revenue Bonds:			
2010	90,237.50	80,000.00	10,237.50
2011	93,543.75	90,000.00	3,543.75
Total District Revenue Bonds	183,781.25	170,000.00	13,781.25
Total	\$ 804,043.75	\$ 670,000.00	\$ 134,043.75

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

7. DEFEASED DEBT

In a prior year, a portion of the State School Bonds, Series 2000A, were defeased in substance by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old State School Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased State School bonds are not included in the District’s financial statements. On June 30, 2009, State School Bonds, Series 2000A, totaling \$110,000 outstanding are considered defeased in substance.

8. 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					
Note Payable	\$ 200,000.00	\$	\$ 200,000.00	\$	\$
Bonds Payable	795,000.00		125,000.00	670,000.00	135,000.00
Compensated Absences Payable	815,726.99	182,868.74	95,662.41	902,933.32	95,662.41
Postemployment Healthcare Benefits Payable		155,904.00	64,281.00	91,623.00	
Total Governmental Activities	\$ 1,810,726.99	\$ 338,772.74	\$ 484,943.41	\$ 1,664,556.32	\$ 230,662.41

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

9. 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	\$ 113,006.15	\$
Special Revenue:		
Other		113,006.15
Total	\$ 113,006.15	\$ 113,006.15

The receivable in the General Fund was established when paying obligations of the Special Revenue – Other Fund prior to that fund receiving reimbursement from a grantor agency. This amount is expected to be repaid within one year.

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 735,688.94	\$ 100,000.00
Capital Projects:		
Public Education Capital Outlay		4,586.45
Local Capital Improvement		722,167.60
Nonmajor Governmental	100,000.00	8,934.89
 Total	 \$ 835,688.94	 \$ 835,688.94

The transfers from the capital projects funds to the General Fund were to repay the General Fund for expenditures that were capital in nature, but were not otherwise accounted for in the capital projects funds. The transfer from the General Fund to the nonmajor governmental funds was to assist the Food Service Fund in maintaining a positive fund balance.

10. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – Other Fund and under the American Recovery and Reinvestment Act (ARRA) are not recognized until expenditures are incurred, they do not accumulate fund balances and, accordingly, no reserve for encumbrances is reported. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund and under the ARRA Economic Stimulus programs total \$96,818.32 and \$104,369.58, respectively, at June 30, 2009.

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

11. 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>
Florida Education Finance Program	\$ 11,289,492.00
Categorical Educational Programs:	
Class Size Reduction	2,727,530.00
Transportation	645,421.00
Instructional Materials	290,042.00
Other	446,153.62
Discretionary Lottery Funds	63,661.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	31,146.53
Food Service Supplement	21,383.00
Mobile Home License Tax	16,792.97
Miscellaneous	<u>531,831.57</u>
Total	<u><u>\$ 16,063,453.69</u></u>

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

12. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.257	\$ 3,844,300.00
Basic Discretionary Local Effort	0.498	364,174.00
Supplemental Discretionary Local Effort	0.250	182,818.00
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.750</u>	<u>1,279,727.00</u>
Total	<u><u>7.755</u></u>	<u><u>\$5,671,019.00</u></u>

13. 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

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

(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 36 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$119,699.17.

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
Florida Retirement System, Senior Management Service	0.00	13.12
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.

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

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 \$1,267,690.10, \$1,349,167.75, and \$1,406,454.64, 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.

14. 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 \$1,272,697 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, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The 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, 39 retirees received postemployment healthcare benefits. The District provided required contributions of \$64,281 toward the annual OPEB cost, net of retiree contributions totaling \$193,823, which represents 1.7 percent of covered payroll.

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

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:

Description	Amount
Normal Cost (service cost for one year)	\$ 82,304
Amortization of Unfunded Actuarial Accrued Liability	73,600
Interest on Normal Cost and Amortization	
Annual Required Contribution	155,904
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	155,904
Contribution Toward the OPEB Cost	(64,281)
Increase in Net OPEB Obligation	91,623
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	\$ 91,623

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	155,904	41.2%	91,623

Funded Status and Funding Progress. As of June 30, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$1,272,697, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,272,697 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$11,371,290 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.2 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

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

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

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

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

15. 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 Gilchrist County District School Board is a member of the North East Florida Educational Consortium (NEFEC) 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(10)(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 Consortium is governed by a board of directors composed of the superintendents of the participating school districts. The Consortium offices are located in Putnam County, and the Putnam County District School Board is the fiscal agent.

The District also participates in an employee group insurance program administered through the Consortium. The District's participation is limited to dental, vision, life, and short-term disability insurance. Premiums charged to the districts are based on each individual district's claims experience, and the program

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

operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

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

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

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 21,258.01	\$ 199,378.18	\$ (203,690.30)	\$ 16,945.89
2008-09	16,945.89	186,401.99	(177,225.96)	26,121.92

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**GILCHRIST 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			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 45,000.00	\$ 50,864.59	\$ 50,864.59	\$
Federal Through State and Local State	17,023,192.80	16,223,462.05	15,835,001.07	207,996.79 (388,460.98)
Local:				
Property Taxes	4,202,134.00	4,280,293.86	4,280,293.86	
Miscellaneous	299,747.15	504,352.59	504,352.59	
Total Revenues	21,570,073.95	21,058,973.09	20,878,508.90	(180,464.19)
Expenditures				
Current - Education:				
Instruction	12,338,909.05	11,893,514.00	11,816,989.00	76,525.00
Pupil Personnel Services	1,025,656.00	1,215,542.35	1,213,619.69	1,922.66
Instructional Media Services	383,568.00	415,651.96	415,111.33	540.63
Instruction and Curriculum Development Services	409,360.00	501,788.29	472,374.78	29,413.51
Instructional Staff Training Services	62,000.00	101,500.00	101,081.53	418.47
Instruction Related Technology	182,663.00	210,709.50	194,053.42	16,656.08
Board of Education	269,641.00	305,000.00	303,272.78	1,727.22
General Administration	262,122.00	263,008.87	254,009.52	8,999.35
School Administration	1,242,872.00	1,180,480.00	1,093,232.44	87,247.56
Facilities Acquisition and Construction	19,500.00	233,418.28	38,582.55	194,835.73
Fiscal Services	334,123.00	331,621.45	316,714.18	14,907.27
Food Services		5,600.07	5,600.07	
Central Services	418,375.00	341,635.42	305,510.97	36,124.45
Pupil Transportation Services	1,275,007.00	1,095,528.49	1,078,766.12	16,762.37
Operation of Plant	2,587,864.00	2,418,927.80	2,380,063.32	38,864.48
Maintenance of Plant	899,772.00	694,161.13	679,235.93	14,925.20
Administrative Technology Services	20,350.00	18,000.00	17,849.74	150.26
Community Services	45,000.00	36,600.00	36,533.18	66.82
Fixed Capital Outlay:				
Facilities Acquisition and Construction		324,336.28	324,336.28	
Other Capital Outlay		3,399.98	3,399.98	
Debt Service:				
Interest and Fiscal Charges		15,181.25	15,181.25	
Total Expenditures	21,776,782.05	21,605,605.12	21,065,518.06	540,087.06
Deficiency of Revenues Under Expenditures	(206,708.10)	(546,632.03)	(187,009.16)	359,622.87
Other Financing Sources (Uses)				
Transfers In	860,159.37	735,688.94	735,688.94	
Insurance Loss Recoveries		15,571.64	15,571.64	
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	
Total Other Financing Sources (Uses)	760,159.37	651,260.58	651,260.58	
Net Change in Fund Balances	553,451.27	104,628.55	464,251.42	359,622.87
Fund Balances, Beginning	717,917.09	557,813.34	557,813.34	
Fund Balances, Ending	\$ 1,271,368.36	\$ 662,441.89	\$ 1,022,064.76	\$ 359,622.87

Special Revenue - Other			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,888,901.57	\$ 2,113,179.43	\$ 1,777,816.57	\$ (335,362.86)
	606.61	606.61	
<u>1,888,901.57</u>	<u>2,113,786.04</u>	<u>1,778,423.18</u>	<u>(335,362.86)</u>
1,414,349.04	1,513,494.64	1,330,177.74	183,316.90
286,880.04	360,401.50	239,219.30	121,182.20
4,461.00	2,117.05	2,117.05	
115,604.34	151,603.74	133,468.44	18,135.30
29,100.00	20,400.00	12,049.94	8,350.06
	5,580.73	5,580.73	
	606.61	606.61	
29,747.15	47,300.77	44,670.77	2,630.00
200.00	200.00		200.00
7,500.00	2,550.00	2,045.35	504.65
560.00	560.00		560.00
300.00	300.00	16.25	283.75
200.00	200.00		200.00
	8,471.00	8,471.00	
<u>1,888,901.57</u>	<u>2,113,786.04</u>	<u>1,778,423.18</u>	<u>335,362.86</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

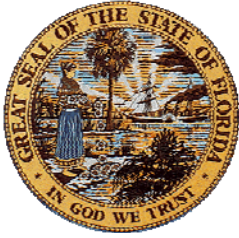
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
June 30, 2008	\$ 0	\$ 1,272,697	\$ 1,272,697	0.0%	\$ 11,371,290	11.2%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GILCHRIST 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	\$ 176,953.28
National School Lunch Program	10.555	300	567,121.31
Summer Food Service Program for Children	10.559	323	9,425.57
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	93,631.32
Total United States Department of Agriculture			847,131.48
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	631,740.42
Special Education - Preschool Grants	84.173	267	37,994.08
Marion County District School Board:			
Special Education - Grants to States	84.027	None	12,116.27
Total Special Education Cluster			681,850.77
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226	578,507.09
Career and Technical Education - Basic Grants to States	84.048	151, 161	60,111.91
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	4,898.62
Twenty-First Century Community Learning Centers	84.287	244	257,415.70
State Grants for Innovative Programs	84.298	113	2,117.05
Education Technology State Grants	84.318	121	5,580.73
Rural Education	84.358	110	50,488.89
Improving Teacher Quality State Grants	84.367	224	148,962.08
Total United States Department of Education			1,789,932.84
United States Department of Homeland Security:			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	582,432.12
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	50,864.59
Total Expenditures of Federal Awards			\$ 3,270,361.03

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance.
 (A) National School Lunch Program - Represents the amount of donated food used during the fiscal year. Commodities are valued at fair value as determined at the time of donation.
 (B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator totaling \$374,435.33 and the Federally-paid installation costs totaling \$207,996.79.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gilchrist 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 Gilchrist County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. 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 that 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.

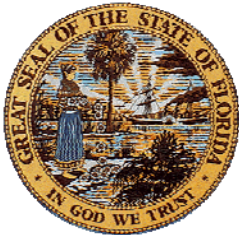
Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing 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

January 12, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Compliance

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

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

Respectfully submitted,



David W. Martin, CPA

January 12, 2010

**GILCHRIST 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: Special Education Cluster (CFDA Nos. 84.027 and 84.173) and Hazard Mitigation Grant (CFDA No. 97.039)

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

Auditee qualified as low-risk auditee? Yes

**GILCHRIST 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: Financial Reporting

Our review of the District's 2008-09 fiscal year annual financial report, as presented for audit, indicated that enhancements in financial reporting procedures could be made. The United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* requires the District to prepare a Schedule of Expenditures of Federal Awards (SEFA). Based on responses to our inquiries and review of District records, we determined that the District acquired an emergency shelter generator using funds, totaling \$582,432.12, from the Hazard Mitigation grant, which represented a major Federal program for the District. The District received moneys from the grantor for installation of the generator, and attempted to obtain information to report on the SEFA. However, because the District did not timely obtain the information from the grantor, District personnel did not report the program on the SEFA. Without procedures to accurately report Federal programs and related expenditures on the SEFA, the risk increases that major Federal programs may not be audited, and costs associated with those programs may be subject to disallowance by the grantors.

We extended our audit procedures to determine the corrections necessary, and District personnel accepted the recommended changes to properly report the required information on the SEFA. A similar finding was noted in our report No. 2009-097.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy of information in the Schedule of Expenditures of Federal Awards.

ADDITIONAL MATTERS

Finding No. 2: Tangible Personal Property

Florida Department of Financial Services Rule 69I-73, Florida Administrative Code, requires that the District perform an annual physical inventory of tangible personal property, including items such as furniture, fixtures, and equipment; reconcile the results of the inventory to the property records; and investigate noted differences. If the investigation determines an item was stolen, a report is to be filed with the appropriate law enforcement agency.

At June 30, 2009, the District's property records showed furniture, fixtures, and equipment costs totaling \$2.2 million, including \$1.5 million for computer equipment. While procedures were in place to inventory some tangible personal property, District personnel did not inventory any computer equipment at five of seven cost centers and only partially inventoried computer equipment at the other two cost centers, as follows:

Cost Center	Computer Inventory at Cost	
	Total	Amount Inventoried
Bell Elementary School	\$ 179,238.58	\$
Bell Middle/High School	341,336.72	
Trenton Elementary	290,314.88	261,921.14
Trenton Middle/High School	579,532.50	503,783.20
District Administrative Office	95,922.41	
Exceptional Student Education	4,246.00	
Transportation	5,500.00	
Total	\$ 1,496,091.09	\$ 765,704.34

Upon inquiry, District personnel indicated that they were unable to complete the inventory process because of other priorities. Effective controls over tangible personal property require the District to inventory computer equipment annually through physical inspection and reconcile the results to the property records. Without such, accountability for the District’s property may be limited, and stolen property may not be timely detected and reported to the appropriate law enforcement agency.

Recommendation: The District should ensure that it performs an annual physical inventory of all computer equipment and reconciles the inventory to the property records.

Finding No. 3: Payroll Taxes

Instances were noted in which inaccurate and untimely Federal withholding and social security tax payments were made. Internal Revenue Service (IRS) Regulations impose penalties on the late payment of employee payroll taxes and employer FICA contributions to the IRS. Our review disclosed that the District paid penalties, totaling \$13,636.14 and \$1,991.73, imposed by the IRS for late Federal withholding and social security tax payments for the quarters ended June 2008 and September 2008, respectively. The District indicated that errors on payroll tax reports and untimely tax payments, resulting in the penalties, occurred because the employee responsible for payroll taxes was a new hire who was not accustomed to these tasks, and supervisory review procedures did not timely detect the errors. In January 2009, the District reorganized staffing to provide proper monitoring of payroll reporting and payment of payroll taxes and FICA contributions to the IRS.

Recommendation: The District should continue its efforts to ensure that employee payroll taxes and employer FICA contributions are remitted on a timely basis in compliance with applicable regulations and laws to avoid the payment of tax penalties.

Finding No. 4: Information Technology – Management of Access Privileges

The implementation of separation of duties by management eliminates the possibility for a single employee to subvert a critical process. An appropriate separation of duties is typically enforced through system access privileges that restrict employees to performing only those system functions that are necessary for their job duties. We reviewed the access privileges to the Finance and Human Resource (HR) applications and identified several employees who had inappropriate or unnecessary access privileges. Specifically:

- Three Finance Department employees had the ability to add or update vendor, invoice, and purchase order information via Finance menu screens and one Payroll Department employee had the ability to add or update existing vendor information. To help mitigate these control deficiencies, two employees jointly review and mail vendor checks and the Board reviews all vendor payments.

- Two Finance Department employees had the ability to add or update job base pay and direct deposit information via HR screens. According to District personnel, the Board's review of all payroll warrant registers partially minimizes the effects of this deficiency.
- One Finance Department employee had the ability to perform security administrator functions, such as creating, modifying, and deleting user account access to the application. To compensate, in part, for this control deficiency, system access cannot be made without another password, assigned by a NEFEC security administrator, and the Director of Finance periodically reviews all user accounts.

While the District had certain detective controls to minimize the effect of these deficiencies, the access privileges either permitted the employees to perform incompatible duties or the access privileges were not necessary for their job functions, increasing the risk of unauthorized or erroneous disclosure, modification, or destruction of data and IT resources. A similar finding was disclosed in our report No. 2009-097.

Recommendation: The District should review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access to ensure that access privileges are compatible with employee job responsibilities.

Finding No. 5: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As similarly noted in our report No. 2009-097, our audit disclosed certain District security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

Finding No. 6: Information Technology – Written Policies and Procedures

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

As similarly noted in our report No. 2009-097, the District lacked written policies and procedures that governed the following:

- Administering vendor-supplied user identifications (IDs), Guest accounts, administrative passwords, and security devices (such as routers and firewalls).
- Creating, maintaining, changing, and reviewing user IDs and associated access privileges.
- Prohibiting the sharing of IDs.
- Defining network administration responsibilities.
- Resetting user passwords, including positive user identification measures.

- Monitoring workstations that allow administrative rights for end users.

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-described IT functions.

Finding No. 7: Information Technology – Security Awareness

As also noted in our report No. 2009-097, the District had not implemented a formal ongoing security awareness training program to apprise new users of, or reemphasize to current users, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Included in the data maintained by the District's IT systems are significant nonpublic records (for example, student record information and other records that contain sensitive information). Although the District required employees to sign a one-time acknowledgment that they have read and understood the *Internet Acceptable Use Policy*, there was no formal ongoing security awareness training program to facilitate employees' education and training on security responsibilities, including data classification and acceptable or prohibited methods for storage and transmission, password protection and usage, copyright issues, malicious software and virus threats, remote access issues, BlackBerries, laptops, workstation controls, and handling of confidential 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 formal 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.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agencies: United States Department of Agriculture and United States Department of Education
Pass-Through Entity: Florida Department of Education

Programs: ARRA: Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); State Fiscal Stabilization Fund (SFSF) – 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:

CFDA Number	Project Period		Award Amount
	From	To	
10.579	6-01-09	8-31-09	\$ 23,744
84.387	7-01-09	9-30-10	10,133
84.389	4-17-09	9-30-11	278,974
84.391	4-23-09	9-30-10	311,326
84.392	4-23-09	9-30-11	19,605
84.394	7-01-09	6-30-10	844,009
84.397	7-01-09	6-30-10	31,728

Our review of District records and inquiry with District personnel disclosed that the District did not designate anyone to monitor the District’s ARRA Federal reporting requirements, and had not registered in the CCR system. Subsequent to our inquiries, the District designated the Director of Finance to monitor the ARRA Federal reporting requirements and, on September 25, 2009, registered with CCR. Without timely registration 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: David Dose, Director of Finance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-097.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*GILCHRIST 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
2009-097		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

GILCHRIST COUNTY SCHOOL BOARD

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Don Thomas, Superintendent
www.gilchristschools.org

District 1
Cloud Haley

District 2
Bob Clemons

District 3
Robert Rankin



District 4
Julie Thomas

District 5
K. Michelle Carter

Board Attorney
Sheree Lancaster

December 18, 2009

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32302

Dear Mr. Martin,

Once again, it was a pleasure to have members of your staff conduct the audit of the Gilchrist County School Board. Please accept the following as our response to the preliminary and tentative audit findings as required by law:

Finding No. 1: Financial Reporting – The District will closely monitor Federal Awards to ensure proper reporting is done.

Finding No. 2: Tangible Personal Property – The District will perform a complete inventory of all property items.

Finding No. 3: Payroll Taxes – Corrections and enhancements have been made in the payroll department to make sure Federal Taxes are filed and reported in a timely manner.

Finding No. 4: Information Technology – Management of Access Privileges – The District will establish written criteria to ensure that employees have only necessary access to its data system.

Finding No. 5: Information Technology – Security Controls – User Authentication – The District has enhanced its security controls over the District's data and IT resources.

Finding No. 6: Information Technology – Written Policies and Procedures – The District will establish written policies and procedures with regards to its Information Technology functions.

Finding No. 7: Information Technology – Security Awareness – The District will establish an ongoing educational process for all employees with regards to the importance of data security.

Federal Awards Finding No. 1: Central Contract Registration – The District registered with CCR as soon as it knew registration was required.

If we can be of any further assistance to you, please let me know.

Sincerely,

Don Thomas
Superintendent

*A Fully Accredited School System – Southern Association of Colleges and Schools
Equal Opportunity Employer*