

**GLADES COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Janet Storey	1
Jenny Allen	2
Thomas Gaskins, Jr. to 11-17-08	3
Jeri Wilson from 11-18-08	3
Mike Pressley, Chair	4
Patricia Pearce, Vice Chair	5

Wayne Aldrich, Superintendent

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

The audit team leader was James E. Raulerson, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Stephanie J. Hogg, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

**GLADES 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

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

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

ADDITIONAL MATTERS

Finding No. 1: The District has not adopted a formal fraud policy for communicating and reporting known or suspected fraud to the appropriate authorities.

Finding No. 2: The District needed to enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 3: The District had not designated an information technology (IT) manager to oversee the District's IT policies and controls.

Finding No. 4: The District's IT security controls related to user authentication, logging, and software monitoring needed improvement.

Finding No. 5: The District lacked a Board-approved disaster recovery plan that contained certain key elements.

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

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Title I, Part A Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. 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 Glades County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

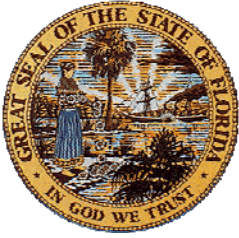
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2009-166.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glades 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 36 percent of the assets and 96 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Pematv Emahakv, Inc. (Charter School), the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Glades 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 Glades 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 30 through 32) 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 14, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Glades 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 29.

FINANCIAL HIGHLIGHTS

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

- In total, net assets decreased \$1,499,103, which represents a 5.7 percent decrease from the 2007-08 fiscal year. This net decrease represents a charge to beginning fund balance of \$1,617,096 for refunds to South Central Educational Risk Management Program for final adjusted claims for Hurricane Wilma and an increase of \$117,993 due to operations.
- General revenues total \$12,757,865, or 91.4 percent of all revenues in the 2008-09 fiscal year, compared to \$13,236,584, or 90.2 percent in the prior year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1,200,792, or 8.6 percent, compared to \$1,432,147, or 9.8 percent in the prior year.
- Expenses total \$13,840,664; only \$1,200,792 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$117,993.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$991,388 at June 30, 2009, or 8.8 percent of total General Fund expenditures, compared to \$1,823,309, or 14.4 percent at June 30, 2008.

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 nonfiduciary 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 and State revenues finance most of these activities. Additionally, all capital activities are reported as governmental activities.

- Governmental activities – This represents most of the District’s services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report, the Pematv Emahakv, Inc. (Charter School). Although a legally separate organization, the Charter School is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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 and Special Revenue – ARRA Economic Stimulus 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 - ARRA Economic Stimulus Funds to demonstrate compliance with the budget.

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

responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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	\$ 1,936,828	\$ 3,239,987
Capital Assets	24,219,049	24,658,867
Total Assets	26,155,877	27,898,854
Long-Term Liabilities	594,372	621,806
Other Liabilities	673,287	889,727
Total Liabilities	1,267,659	1,511,533
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	23,729,576	24,043,374
Restricted	212,782	231,468
Unrestricted	945,860	2,112,479
Total Net Assets	\$ 24,888,218	\$ 26,387,321

The largest portion of the District’s net assets (95.3 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 (0.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3.8 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	\$ 144,274	\$ 158,654
Operating Grants and Contributions	766,691	767,941
Capital Grants and Contributions	289,827	505,552
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,660,980	3,861,245
Property Taxes, Levied for Capital Projects	557,026	1,404,798
Grants and Contributions Not Restricted to Specific Programs	7,260,960	7,658,287
Unrestricted Investment Earnings	29,341	144,478
Miscellaneous	249,558	167,776
Total Revenues	13,958,657	14,668,731
Functions/Program Expenses:		
Instruction	7,209,692	7,062,232
Pupil Personnel Services	599,709	695,146
Instructional Media Services	259,284	287,198
Instruction and Curriculum Development Services	311,307	274,699
Instructional Staff Training Services	298,042	236,555
Instruction Related Technology	54,801	157,280
Board of Education	311,663	286,217
General Administration	198,122	227,545
School Administration	634,184	651,372
Facilities Acquisition and Construction	137,707	230,917
Fiscal Services	178,246	184,843
Food Services	727,001	743,337
Central Services	26,311	26,333
Pupil Transportation Services	458,513	526,421
Operation of Plant	1,054,300	1,096,320
Maintenance of Plant	456,862	670,632
Administrative Technology Services	85,827	52,906
Community Services	4,326	
Interest on Long-Term Debt	39,708	50,593
Unallocated Depreciation Expense	787,396	819,914
Loss on Disposal of Capital Assets	7,663	
Total Functions/Program Expenses	13,840,664	14,280,460
Increase in Net Assets	\$ 117,993	\$ 388,271

The largest revenue source is the State of Florida (47 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

State revenues decreased by \$557,294, or 7.8 percent, primarily due to a reduction in funding from the Florida Education Finance Program, which is reflected in the grants and contributions not restricted to specific programs category. Property taxes levied for operational purposes increased \$799,735, or 20.7 percent, and property taxes

levied for capital projects decreased \$847,772, or 60.3 percent, due to the millage rate changes from 5.658 to 6.737 and 2.00 to 0.75, respectively.

Instructional expenses represent 52.1 percent of total governmental expenses in the 2008-09 fiscal year. Instructional expenses increased by \$147,460, or 2.1 percent, from the previous year due mainly to employment of additional instructional staff. However, the District was able to reduce total expenses by \$439,796, or 3.1 percent, by reducing noninstructional staff, decreasing equipment purchases, and deferring certain maintenance expenditures.

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 \$991,388, while the total fund balance is \$1,048,619. The unreserved fund balance decreased by \$831,921, while the total fund balance decreased by \$1,080,690 during the fiscal year. Key factors in these changes include the District's refunding of \$1,617,096 to the South Central Educational Risk Management Program for insurance moneys collected in prior years for Hurricane Wilma but not used, an increase in the property tax levied for operational purposes as a result of an increase in the millage, and the completion of the West Glades Elementary School Physical Education Facility, thereby decreasing facilities acquisition and construction expenses as compared to the prior year.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance.

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 an increase in total budgeted revenues amounting to \$573,678, or 5.3 percent. At the same time, final appropriations are more than the original budgeted amounts by \$472,246. 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 \$1,137,126, or 9.2 percent, less than final budget amounts due to changes in staffing. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,489,505.

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 \$24,219,049 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The West Glades Elementary School Physical Education Facility, a \$2 million addition, was completed during the 2008-09 fiscal year.

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

Long-Term Debt

At June 30, 2009, the District had no long-term debt outstanding.

OTHER MATTERS OF SIGNIFICANCE

Approximately 55.5 percent of total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which, in turn, will affect District revenue streams.

The District's enrollment increased by 48 students, or 3.6 percent from the prior year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent, Glades County District School Board, 998 10th Street NW, Moore Haven, FL 33471.

BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,875,224.15	\$ 501,962.00
Investments	10,912.53	
Accounts Receivable	22,899.10	
Prepaid Items		2,500.00
Due from Other Agencies	13,153.77	
Inventories	14,638.48	
Capital Assets:		
Nondepreciable Capital Assets	911,266.64	
Depreciable Capital Assets, Net	23,307,782.27	68,269.00
TOTAL ASSETS	\$ 26,155,876.94	\$ 572,731.00
LIABILITIES		
Salaries and Benefits Payable	\$	\$ 132,321.00
Payroll Deductions and Withholdings	175,532.23	
Accounts Payable	861.20	21,430.00
Due to Other Agencies	7,420.06	
Revenue Anticipation Note	489,473.45	
Long-Term Liabilities:		
Portion Due Within One Year	44,577.91	
Portion Due After One Year	549,794.28	
Total Liabilities	1,267,659.13	153,751.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	23,729,575.46	68,269.00
Restricted for:		
State Categorical Programs	20,523.52	
Capital Projects	192,258.84	
Unrestricted	945,859.99	350,711.00
Total Net Assets	24,888,217.81	418,980.00
TOTAL LIABILITIES AND NET ASSETS	\$ 26,155,876.94	\$ 572,731.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 7,209,691.71	\$	\$	\$
Pupil Personnel Services	599,708.85			
Instructional Media Services	259,284.08			
Instruction and Curriculum Development Services	311,306.73			
Instructional Staff Training Services	298,041.80			
Instruction Related Technology	54,801.44			
Board of Education	311,662.63			
General Administration	198,122.36			
School Administration	634,184.13			
Facilities Acquisition and Construction	137,706.67			289,826.63
Fiscal Services	178,245.51			
Food Services	727,000.87	144,244.01	549,278.46	
Central Services	26,311.38			
Pupil Transportation Services	458,513.33	30.00	217,413.00	
Operation of Plant	1,054,300.18			
Maintenance of Plant	456,861.87			
Administrative Technology Services	85,827.33			
Community Services	4,326.50			
Interest on Long-Term Debt	39,707.73			
Unallocated Depreciation Expense	787,396.05			
Loss on Disposal of Capital Assets	7,662.84			
Total Primary Government	\$ 13,840,663.99	\$ 144,274.01	\$ 766,691.46	\$ 289,826.63
Component Unit				
Pemayetv Emahakv, Inc. (Charter School)	\$ 3,229,760.00	\$ 0.00	\$ 7,453.00	\$ 0.00

General Revenues:

Taxes:

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

Total General Revenues

Change in Net Assets

Net Assets - Beginning
Adjustment to Beginning Net Assets

Net Assets - Beginning, Restated

Net Assets - Ending

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

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,692,653.41	\$	\$ 182,570.74	\$ 1,875,224.15
Investments	4,463.24		6,449.29	10,912.53
Accounts Receivable	18,634.39		4,264.71	22,899.10
Due from Other Agencies		861.20	12,292.57	13,153.77
Inventories			14,638.48	14,638.48
TOTAL ASSETS	\$ 1,715,751.04	\$ 861.20	\$ 220,215.79	\$ 1,936,828.03
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 175,532.23	\$	\$	\$ 175,532.23
Accounts Payable		861.20		861.20
Due to Other Agencies	2,126.00		5,294.06	7,420.06
Revenue Anticipation Note Payable	489,473.45			489,473.45
Total Liabilities	667,131.68	861.20	5,294.06	673,286.94
Fund Balances:				
Reserved for State Categorical Programs	20,523.52			20,523.52
Reserved for Encumbrances	36,707.88		1,116.34	37,824.22
Reserved for Inventories			14,638.48	14,638.48
Unreserved:				
Designated, Reported in General Fund:				
Designated for FEMA refund	500,000.00			500,000.00
Undesignated, Reported in:				
General Fund	491,387.96			491,387.96
Special Revenue Funds			6,908.07	6,908.07
Capital Projects Funds			192,258.84	192,258.84
Total Fund Balances	1,048,619.36		214,921.73	1,263,541.09
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,715,751.04	\$ 861.20	\$ 220,215.79	\$ 1,936,828.03

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

**GLADES 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	\$ 1,263,541.09
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.	24,219,048.91
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 compensated absences payable.	<u>(594,372.19)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 24,888,217.81</u></u>

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

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$ 24,684.92	\$ 24,684.92
Federal Through State and Local State	17,327.21	861.20	1,616,363.97	1,634,552.38
	6,256,733.10		303,907.48	6,560,640.58
Local:				
Property Taxes	4,660,980.35		557,026.30	5,218,006.65
Charges for Services - Food Service			144,244.01	144,244.01
Miscellaneous	344,688.66		29,252.42	373,941.08
Total Revenues	11,279,729.32	861.20	2,675,479.10	13,956,069.62
Expenditures				
Current - Education:				
Instruction	6,694,196.24		532,291.83	7,226,488.07
Pupil Personnel Services	476,786.98		124,394.60	601,181.58
Instructional Media Services	259,955.31			259,955.31
Instruction and Curriculum Development Services	227,868.93		84,379.83	312,248.76
Instructional Staff Training Services	41,130.49	861.20	256,735.15	298,726.84
Instruction Related Technology	30,420.00		24,381.44	54,801.44
Board of Education	312,131.75			312,131.75
General Administration	173,906.00		24,710.56	198,616.56
School Administration	636,069.74		68.71	636,138.45
Facilities Acquisition and Construction			137,706.67	137,706.67
Fiscal Services	178,734.27			178,734.27
Food Services	497.90		727,386.53	727,884.43
Central Services	26,383.62			26,383.62
Pupil Transportation Services	399,852.58		59,546.31	459,398.89
Operation of Plant	1,055,097.96			1,055,097.96
Maintenance of Plant	457,597.38			457,597.38
Administrative Technology Services	85,888.75			85,888.75
Community Services	4,326.50			4,326.50
Fixed Capital Outlay:				
Facilities Acquisition and Construction	173,963.80		152,352.00	326,315.80
Other Capital Outlay			26,337.22	26,337.22
Debt Service:				
Interest and Fiscal Charges			39,731.96	39,731.96
Total Expenditures	11,234,808.20	861.20	2,190,022.81	13,425,692.21
Excess of Revenues Over Expenditures	44,921.12		485,456.29	530,377.41
Other Financing Sources (Uses)				
Transfers In	537,280.66		45,795.20	583,075.86
Transfers Out	(45,795.20)		(537,280.66)	(583,075.86)
Total Other Financing Sources (Uses)	491,485.46		(491,485.46)	
Net Change in Fund Balances	536,406.58		(6,029.17)	530,377.41
Fund Balances, Beginning	2,129,309.10		220,950.90	2,350,260.00
Adjustment to Begning Fund Balance	(1,617,096.32)			(1,617,096.32)
Adjusted Beginning Fund Balance	512,212.78		220,950.90	733,163.68
Fund Balances, Ending	\$ 1,048,619.36	\$ 0.00	\$ 214,921.73	\$ 1,263,541.09

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

**GLADES 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	\$	530,377.41
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays of \$352,653.02 are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.		(432,155.15)
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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.		(7,662.84)
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In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period.		27,434.09
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Change in Net Assets - Governmental Activities	\$	<u>117,993.51</u>
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The accompanying notes to financial statements are an integral part of this statement.

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 122,573.34
LIABILITES	
Internal Accounts Payable	\$ 122,573.34

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

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the Pemaquid Emahaky, Inc. (Charter School), is a discretely presented component unit of the District and is included within the District School Board's reporting entity. The Charter School is a separate not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter of its sponsor, the Glades County District School Board and is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support. The component unit columns in the government-wide financial statements include the financial data of the Charter School. An annual audit of the Charter School's financial statements is conducted by an independent certified public accountant and is on file at the District's administrative office.

➤ **Basis of Presentation**

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

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

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

The Charter School is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash and 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 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. At June 30, 2009, there were no funds placed with this account.

The District's investments in Fund B totaled \$10,912.53 and 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.

The District made no other investments during the 2008-09 fiscal year.

➤ **Inventories**

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

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$5,000. 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.

**GLADES 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	7 - 50 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

➤ **State Revenue Sources**

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

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

**GLADES 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 also received allocations under the Classrooms First construction program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 15, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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

- 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 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 with a fair value of \$ 10,912.53 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

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

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	\$ 813,648.45	\$	\$	\$ 813,648.45
Land Improvements - Nondepreciable	97,618.19			97,618.19
Construction in Progress	1,736,493.82		1,736,493.82	
Total Capital Assets Not Being Depreciated	2,647,760.46		1,736,493.82	911,266.64
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,149,582.68	7,700.00		1,157,282.68
Buildings and Fixed Equipment	27,951,437.15	2,063,289.72		30,014,726.87
Furniture, Fixtures, and Equipment	687,249.78	20,745.00	77,471.47	630,523.31
Motor Vehicles	1,283,639.02		257,850.96	1,025,788.06
Audio Visual Materials and Computer Software	843,195.44		183,954.00	659,241.44
Total Capital Assets Being Depreciated	31,915,104.07	2,091,734.72	519,276.43	33,487,562.36
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	566,850.04	44,993.57		611,843.61
Buildings and Fixed Equipment	7,146,420.53	573,673.47		7,720,094.00
Furniture, Fixtures, and Equipment	450,501.00	38,874.60	69,808.63	419,566.97
Motor Vehicles	1,008,909.02	84,271.60	257,850.96	835,329.66
Audio Visual Materials and Computer Software	731,317.04	45,582.81	183,954.00	592,945.85
Total Accumulated Depreciation	9,903,997.63	787,396.05	511,613.59	10,179,780.09
Total Capital Assets Being Depreciated, Net	22,011,106.44	1,304,338.67	7,662.84	23,307,782.27
Governmental Activities Capital Assets, Net	\$ 24,658,866.90	\$ 1,304,338.67	\$ 1,744,156.66	\$ 24,219,048.91

The District’s capital assets serve multiple functions; therefore, depreciation expense is not allocated to the various expense functions on the statement of activities, but is shown as unallocated depreciation expense.

5. CHANGES IN SHORT-TERM DEBT

Under the provisions of Section 1011.13, Florida Statutes, the District established a line of credit in the amount of \$1,500,000 with the First Bank of Clewiston in the 2008-09 fiscal year to fund construction of classroom additions and the new physical education facility at West Glades Elementary School. At June 30, 2009, the balance on this note was \$489,473.45.

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

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

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Revenue Anticipation Note	\$ 615,493.76	\$ 372,037.26	\$ 498,057.57	\$ 489,473.45

On September 24, 2009, the District modified the terms of the initial line of credit and received an additional line of credit in the amount of \$1,000,000 for working capital for the 2009-10 fiscal year. Interest of 4.5 percent shall be paid quarterly with the total principal and accumulated unpaid interest to be due September 30, 2010.

6. 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					
Compensated Absences Payable	\$ 621,806.28	\$ 6,731.09	\$ 34,165.18	\$ 594,372.19	\$ 44,577.91

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

7. INTERFUND TRANSFERS

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 537,280.66	\$ 45,795.20
Nonmajor Governmental:		
Special Revenue:		
Food Service	45,795.20	
Capital Projects:		
Public Education Capital Outlay		99,224.31
Local Capital Improvement		438,056.35
Total	\$ 583,075.86	\$ 583,075.86

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

Transfers from the capital projects funds were for principal payments on the Revenue Anticipation Note and to reimburse eligible maintenance expenditures reported in the General Fund. The transfer from the General Fund to the Food Service Fund was to supplement food service operations.

8. RESERVE FOR ENCUMBRANCES

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

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

9. 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	\$ 4,106,304.00
Categorical Educational Programs:	
Class Size Reduction	1,380,841.00
Transportation	217,413.00
Instructional Materials	129,822.00
School Recognition	47,090.00
Florida Teachers Lead	15,152.76
Other	45,622.18
Classrooms First Program	124,558.00
Gross Receipts Tax (Public Education Capital Outlay)	117,941.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	46,670.48
Discretionary Lottery Funds	33,535.00
Food Service Supplement	14,738.00
Mobile Home License Tax	9,932.21
Workforce Development Program	7,099.00
Miscellaneous	263,921.95
 Total	 <u><u>\$ 6,560,640.58</u></u>

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

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

10. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.045	\$ 3,501,406.00
Basic Discretionary Local Effort	0.498	345,629.00
Supplemental Discretionary Local Effort	0.194	134,643.00
Voted School Tax:		
Additional Millage	1.000	694,035.00
 CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	0.750	520,526.00
Total	7.487	\$ 5,196,239.00

11. FLORIDA RETIREMENT SYSTEM

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four 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.

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

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 15 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$48,449.

FRS Retirement Contribution Rates

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

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

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$632,162, \$645,073, and \$639,532, 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.

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

12. ADJUSTMENT TO NET ASSETS/FUND BALANCE

The District submitted a refund of \$1,617,096.32 to the South Central Educational Risk Management Program representing unspent insurance proceeds received in prior fiscal years as reimbursement for damages incurred from Hurricane Wilma.

13. FUND BALANCE DESIGNATION

The District anticipates returning approximately \$500,000 to the Federal Emergency Management Administration (FEMA) in the 2009-10 fiscal year, representing unspent FEMA proceeds for Hurricane Wilma. This amount is reported as a designation of unreserved fund balance.

14. RISK MANAGEMENT PROGRAMS

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

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multidistrict cooperative property and casualty risk management program for member school boards in which risk of loss is transferred to the group. The member school boards make annual contributions to the group for their property and casualty coverage. The interlocal agreement and bylaws of the property and casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency is solely the responsibility of that member school board. In addition, it is the property and casualty group's policy to carry reinsurance through commercial insurance carriers for workers' compensation and property loss claims in excess of \$1,000,000 and \$100,000, respectively. Special hazard flood areas are \$500,000 per building and \$500,000 per contents.

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

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

Health and hospitalization coverage is being provided by purchased commercial insurance through a minimum premium plan. The minimum premiums to be earned for all types of coverage are set forth in the contract. Premiums are payable based on the number of eligible employees. When earned premiums are greater than the sum of the incurred claims and a specified retention, the excess shall be retained by the plan. When earned premiums are less than the sum of the incurred claims and a specified retention, the loss shall be paid to the plan up to the maximum due as set forth in the contract. Life insurance is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 92,000.00	\$ 92,000.00	\$	\$ (92,000.00)
Federal Through State and Local	14,826.16	15,902.21	17,327.21	1,425.00
State	5,895,565.70	6,278,009.98	6,256,733.10	(21,276.88)
Local:				
Property Taxes	4,684,661.00	4,784,032.69	4,660,980.35	(123,052.34)
Miscellaneous	215,161.14	305,947.48	344,688.66	38,741.18
Total Revenues	10,902,214.00	11,475,892.36	11,279,729.32	(196,163.04)
Expenditures				
Current - Education:				
Instruction	6,548,294.36	6,906,701.16	6,694,196.24	212,504.92
Pupil Personnel Services	486,913.09	500,515.13	476,786.98	23,728.15
Instructional Media Services	261,004.00	263,991.65	259,955.31	4,036.34
Instruction and Curriculum Development Services	242,162.00	239,878.10	227,868.93	12,009.17
Instructional Staff Training Services	43,269.00	46,237.23	41,130.49	5,106.74
Instruction Related Technology	23,000.00	30,800.00	30,420.00	380.00
Board of Education	1,002,687.00	972,314.30	312,131.75	660,182.55
General Administration	174,469.99	177,323.59	173,906.00	3,417.59
School Administration	690,787.00	697,418.79	636,069.74	61,349.05
Fiscal Services	178,870.00	178,487.33	178,734.27	(246.94)
Food Services			497.90	(497.90)
Central Services	28,490.00	26,636.74	26,383.62	253.12
Pupil Transportation Services	465,906.00	472,333.90	399,852.58	72,481.32
Operation of Plant	1,108,476.16	1,125,749.40	1,055,097.96	70,651.44
Maintenance of Plant	441,413.00	472,763.00	457,597.38	15,165.62
Administrative Technology Services	65,506.00	86,819.69	85,888.75	930.94
Community Services			4,326.50	(4,326.50)
Fixed Capital Outlay:				
Facilities Acquisition and Construction	138,440.10	173,963.80	173,963.80	
Total Expenditures	11,899,687.70	12,371,933.81	11,234,808.20	1,137,125.61
Excess (Deficiency) of Revenues Over Expenditures	(997,473.70)	(896,041.45)	44,921.12	940,962.57
Other Financing Sources (Uses)				
Transfers In			537,280.66	537,280.66
Insurance Loss Recoveries		26,664.24		(26,664.24)
Transfers Out	(30,000.00)	(45,795.20)	(45,795.20)	
Total Other Financing Sources (Uses)	(30,000.00)	(19,130.96)	491,485.46	510,616.42
Net Change in Fund Balances	(1,027,473.70)	(915,172.41)	536,406.58	1,451,578.99
Fund Balances, Beginning	1,265,165.18	474,286.32	2,129,309.10	1,655,022.78
Adjustment to Beginning Fund Balance			(1,617,096.32)	(1,617,096.32)
Adjusted Beginning Fund Balance	1,265,165.18	474,286.32	512,212.78	37,926.46
Fund Balances, Ending	\$ 237,691.48	\$ (440,886.09)	\$ 1,048,619.36	\$ 1,489,505.45

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

1. EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUND

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations for the following individual fund:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General Fund:			
Fiscal Services	\$ 178,487.33	\$ 178,734.27	\$ (246.94)
Food Services		497.90	(497.90)
Community Services		4,326.50	(4,326.50)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GLADES 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	\$ 177,782.40
National School Lunch Program	10.555	300, 350	326,265.54
Summer Food Service Program for Children	10.559	323	560.28
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555(2)	None	54,715.41
Total Child Nutrition Cluster			559,323.63
Florida Department of Financial Services:			
Secure Payments for States and Counties Containing Federal Lands	10.665	None	1,076.05
Total United States Department of Agriculture			560,399.68
United States Department of Education:			
Direct:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	24,684.92
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	271,676.42
Special Education - Preschool Grants	84.173	267	15,279.53
Putnam District School Board:			
Special Education - Grants to States	84.027	None	795.52
University of South Florida:			
Special Education - Grants to States	84.027	None	1,425.00
Total Special Education Cluster			289,176.47
Florida Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	455,772.39
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	861.20
Total Title I, Part A Cluster			456,633.59
Adult Education - Basic Grants to States	84.002	191	17,876.74
Migrant Education - State Grant Program	84.011	217	80,026.31
Career and Technical Education - Basic Grants to States	84.048	161	53,025.33
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	5,975.57
Education Technology State Grants	84.318	121	4,779.91
English Language Acquisition Grants	84.365	102	8,287.34
Improving Teacher Quality State Grants	84.367	224	82,980.77
School Improvement Grants	84.377	126	55,803.33
Highlands County District School Board:			
Reading First State Grants	84.357	None	30,339.68
Washington County District School Board:			
Reading First State Grants	84.357	None	861.20
Total Indirect			1,085,766.24
Total United States Department of Education			1,110,451.16
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	14,826.16
Total Expenditures of Federal Awards			\$ 1,685,677.00

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

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



DAVID W. MARTIN, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glades County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Glades County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

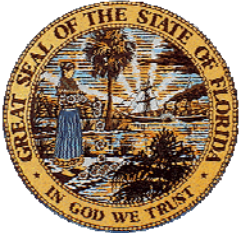
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
January 14, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Glades 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 a Federal Awards Finding No. 1.

Internal Control Over Compliance

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

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 14, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Policies for Reporting Fraud

In our report No. 2009-166, we noted that the District had not developed policies for communicating and reporting known or suspected fraud. In response to this finding, the District developed a draft policy indicating actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior; however, as of October 29, 2009, the Board had not adopted the policy of record. As of that date, the District was in the process of revising all of its policies, including those for fraud reporting, and intends to present a complete policy manual for Board approval in the 2009-10 fiscal year. Until the Board approves the policy manual, there is an increased risk that management's intent for fraud reporting may not be clearly communicated and known or suspected fraud may not be identified and reported to the appropriate authorities.

Recommendation: To aid in the detection and prevention of fraud, the District should complete the process of developing policies for reporting known or suspected fraud by obtaining Board approval of such policies.

Finding No. 2: Reporting of Enrollment for Adult Education Programs

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

The District reported 1,920 adult general education hours to FDOE for the 2008-09 fiscal year. We tested District records for 8 students enrolled in 16 adult general education classes. Our tests disclosed that the District did not report any hours to FDOE for the 16 classes. FDOE therefore recorded the full registration hours for these students, instead of the actual attendance hours. As a result, overreported hours ranged from 206 to 232 hours per student, or a total of 1,778 hours over the actual attendance hours. District personnel indicated that although attendance records were kept, the actual attendance hours were never reported to FDOE due to difficulties with the software system in monitoring and reporting enrollment. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly and in accordance with District enrollment records.

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

Finding No. 3: Information Technology - Information Technology Manager

An information technology (IT) manager understands the risks associated with IT and serves as a focal point by coordinating all IT-related interactions within the District, as well as those external to the District. One of the most critical factors in managing IT resources is effective information security management. An IT manager is key in developing, communicating, monitoring, and enforcing compliance with security policies Districtwide and reporting on these activities to senior management. Our review disclosed that the District had not designated a manager as responsible for the District's overall IT operations. The District's IT operations were largely outsourced, as described below:

- The District contracted with a network consultant to manage, among other things, its IT network, workstations, servers, and databases. The network consultant and his staff were not on-site at the District full-time.
- The District relied on an application provider to maintain and operate its accounting application. The Finance Director was the liaison between the District and the application provider and was responsible for requesting the provider to establish, change, or remove employee access privileges in the accounting application. Additionally, the Finance Director was responsible for creating the District's disaster recovery plan.

Notwithstanding the above, no individual at the District provided overall coordination or management of District IT functions, provided oversight of the network consultant's and application provider's activities, ensured the completeness and effectiveness of the District's disaster recovery plan, developed and distributed IT policies and procedures, or monitored compliance with IT policies and procedures.

The District is ultimately responsible for the effectiveness of its IT operations and the security of its data and IT resources. Without a designated IT manager who has the knowledge to identify IT-related risks, implement adequate controls to mitigate those risks, and the authority to make and enforce IT-related policies, the risk is increased that IT controls may be inadequate; responsibilities may be unclear, misunderstood, or improperly applied; and controls may be inconsistently applied. Such conditions could lead to insufficient protection of IT data and resources.

Recommendation: The District should designate an IT manager to function as management's central focal point to oversee IT and, on an ongoing basis, monitor the effectiveness of the IT environment, monitor compliance with specific IT policies and procedures, and propose enhancements to IT controls as needed.

Finding No. 4: Information Technology - User Authentication, Logging, and Software Monitoring

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication, logging, and software monitoring 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, logging, and software monitoring to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Finding No. 5: Information Technology - Disaster Recovery Plan

A written disaster recovery plan is an important element of an effective internal control system over IT operations and helps minimize data and asset loss in the event of major hardware or software failures or other interruptions in IT operations. An effective disaster recovery plan should identify the data, processes, and applications that are critical to the District, provide for backup of critical data, and contain a step-by-step plan for recovery to minimize the potential impact of an event that disrupts IT operations. Although the District had a written disaster recovery plan, the plan lacked the key elements noted above, including a written agreement with an alternative processing facility, and the plan had not been approved by the Board. Similar findings were noted in previous audit reports, most recently our report No. 2009-166.

Recommendation: The District should prepare a comprehensive disaster recovery plan that addresses the key elements noted above and obtain Board approval of the plan.

Finding No. 6: Information Technology - Policies and Procedures

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

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

- Creating, maintaining, changing, and revoking user identifications and associated access privileges.
- Reviewing the appropriateness of access privileges and reviewing the timely removal of former employee and contractor access privileges. The District had not performed such reviews.
- Resetting user passwords, including positive user identification measures.

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

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture and United States Department of Education

Pass-Through Entity: Florida Department of Education

Programs: ARRA: Child Nutrition Discretionary Grants Limited Availability (CFDA 10.579); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA 84.391); and Special Education – Preschool Grants, Recovery Act (CFDA 84.392)

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 complete a one-time registration to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

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

Grant (CFDA Number)	Award Amount
ARRA – Child Nutrition Discretionary (10.579)	\$ 92,481
ARRA – Title I (84.389)	86,610
ARRA – Special Education (84.391)	459,246
ARRA – Special Education Preschool (84.392)	14,462

However, District records did not evidence that the District had registered with CCR. Subsequent to our inquiries, the District designated the Director of Administrative Services to monitor the ARRA Federal reporting requirements and, on September 28, 2009, registered with the 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 registration at the Central Contractor Registration website on an annual basis as required.

District Contact Person: Susan Williams, Director of Finance, and Scott Bass, Director of Administrative Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-166.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*GLADES 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
2009-166 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010)/Equipment Management and Reporting	The District did not timely reconcile Florida Department of Education cash advance records to the District's accounting records. Also, the District had deficiencies in controls over tangible personal property.	Corrected	Reconciliations are performed and controls over tangible personal property were enhanced.

EXHIBIT A
MANAGEMENT'S RESPONSE

GLADES COUNTY SCHOOL DISTRICT
Building Academic Excellence

Wayne Aldrich
Superintendent

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Scott Bass
Administrative Services Director

•

Deborah Pressley
Curriculum Services Director

•

Susan Williams
Finance Director

•

School Board

- **Janet Storey**
District 1
- **Cathy Peeples**
District 2
- **Tom Gaskins, Jr.**
District 3
- **Mike Pressley**
District 4
- **Patricia Pearce**
District 5



Accredited

Glades County School District

Response to financial, Federal and operational audit

(Fiscal Year Ended June 30, 2009)

Finding No. 1: The District has not adopted a formal fraud policy for communicating and reporting known or suspected fraud to the appropriate authority.

Response: As indicated in the Preliminary and Tentative Audit Findings, the district has developed a policy (attached); however the board has not officially adopted the policy due to the current procedure of addressing the entire district policy manual. Therefore, the superintendent will distribute the attached tentative policy in the form of an internal memorandum that will be in place until official board adoption occurs.

SCHOOL BOARD OF GLADES COUNTY, FLORIDA

SUBJECT: Rule: Anti-Fraud

Subject Area or Existing Rule: The proposed rule establishes principles for, and expectations of, District employees in order to prevent fraud, provide for the investigation of suspected fraud, provide consequences for engaging in any manner of fraud, and to heighten awareness of possible fraud.

Citation of Legal Authority: Florida Statutes 1001.32, 1001.41, 1001.42

Specific Law Implemented: Florida Statutes 1001.42, 1001.43

Preliminary Text:

Rule: Anti-Fraud

1. The School Board of Glades County will not tolerate the commission of fraud or the concealment of fraud.
2. This rule applies to any fraud, suspected or observed, involving District employees, substitutes, vendors, contractors, volunteers, outside agencies doing business with the School Board or anyone else in a position to commit fraud on the School Board.
3. Fraud includes, but is not limited to, knowingly misrepresenting a fact; concealing a fact or information in order to personally benefit; inducing another to act to his/ her detriment; or submitting false or fabricated documents or information.
4. Actions constituting fraud include but are not limited to:
 - a. Falsifying or unauthorized altering of District documents such as reimbursement forms, leave forms, files, checks, financial records, student records, etc.
 - b. Theft, embezzlement or misappropriation of District funds.
 - c. Accepting or offering a bribe, gifts or other favors under circumstances that indicate that the gift or favor was intended to influence an employee's decision making.
 - d. Disclosing to other persons the purchasing/ bidding activities engaged in or contemplated by the District in order to give any entity, person or business an unfair advantage in the bid process.
 - e. Causing the District to pay excessive prices or fees where justification is not documented.
 - f. Unauthorized destruction, theft, tampering or removal of records, furniture, fixtures or equipment.

- g. Using District equipment or work time for any outside private business activity.
5. The Superintendent, working in conjunction with external auditors and District staff, will insure that appropriate internal controls are in place to diminish the opportunities for theft, embezzlement, and other fraudulent acts. Such internal controls shall be reviewed and revised as necessary.
 6. All employees of the District have an obligation to report suspicions of fraud directly to the Superintendent. If an employee suspects fraud in the Superintendent's office, the employee should report the suspicions directly to a Board Member. The obligation to report fraud includes instances where an employee knew or should have known that an incident of fraud occurred. Any employee who reports fraud in good faith shall not be subject to any recrimination for having made the report. Failure to report known fraudulent actions or actions that reasonably appear to be fraudulent can be grounds for discipline up to and including dismissal.
 7. In cases of suspected or observed fraud, employees shall not attempt to personally conduct investigations or interviews/ interrogations related to the fraudulent activity. Employees shall not discuss the case, facts, suspicions or allegations with anyone inside or outside the District, unless specifically asked to do so by legal directive or by the Superintendent.
 8. An allegation of fraud will be investigated by the Superintendent or his/her designee if an investigation is warranted. Any investigation required shall be conducted without regard to the suspected wrongdoer's length of service, position/ title, or relationship. Investigations shall be conducted in a confidential manner. The Superintendent will notify law enforcement if there is cause to believe a criminal offense has occurred.
 9. In order to avoid damaging the reputations of persons suspected, but subsequently found innocent of wrongful conduct, and to protect the District from potential civil liability, the results of investigations shall not be disclosed or discussed with anyone other than those persons associate with the case(s) who need to know in order to perform his/her duties and responsibilities. All inquiries from the suspected individual and his/her attorney shall be directed to the Superintendent or his/her designee.
 10. Employees who are determined by the District to have committed a fraudulent act while in the course of their employment shall be subject to discipline, up to and including dismissal. Employees who are dismissed for fraud shall not be eligible for rehire.

Specific Law Implemented: Florida Statutes 1001.42, 1001.43

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Finding No. 2: The District should enhance procedures over the reporting of instructional contact hours for adult general education courses.

Response: District Adult Education staff will attend state reporting training and also collaborate with Hendry County School District Adult Education staff to ensure proper future reporting of instructional contact hours.

Finding No. 3: The District had not designated an information technology (IT) manager to oversee the District's IT policies and controls.

Response: The District has outsourced all IT components to an individual contractor, however after participating in the IT audit for the 2009 year, the District plans to change how it addresses all IT issues. The district plans on creating a position and hiring an IT manager who will oversee all IT policies and controls.

Finding No 4: The District's IT security controls related to user authentication, logging, and software monitoring needed improvement.

Response: Due to the lack of staff these items were not addressed properly. The district recognizes and understands the importance of proper security. The individual hired as the IT manager will be responsible for such security controls

Finding No 5: The District lacked a Board-approved disaster recovery plan that contained certain key elements.

Response: The district will collaborate with other districts within the Heartland Educational Consortium (specifically Hendry and Hardee) and develop a recovery plan that addresses all deficiencies noted in the audit finding. In addition, the district will perform an off site test of the plan and have the plan board approved.

GLADES COUNTY SCHOOL DISTRICT

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

Response: The District will develop policies and procedures for:

- Creating, maintaining, changing and revoking identification and privileges
- Reviewing the access of privileges and reviewing timely removal of privileges

The District's IT manager will assist in developing the needed policies and procedures and will be responsible for implementation.

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

Response: The Director of Administrative Services and Finance Director will monitor future ARRA Federal reporting requirements and ensure that all requirements are met in a timely manner.

Submitted by:

Wayne Aldrich
Wayne Aldrich, Superintendent

1/6/10
Date