

**UNION COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2009



## BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Allen Parrish	1
Alvin A. Griffis	2
Marsan H. Carr, Vice Chair from 11-18-08	3
Sandra R. Floyd, Chair to 11-17-08	4
George W. Green, Jr., Vice Chair to 11-17-08, Chair from 11-18-08	5

Carlton Faulk, 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 G. Christian Meyer, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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UNION COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness as summarized below.

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.

#### MATERIAL WEAKNESS

Finding No. 1: Improvements are needed in District procedures for ensuring the accuracy and completeness of the annual financial report.

#### ADDITIONAL MATTERS

Finding No. 2: Board policy was not followed for approval of certain construction project change orders.

Finding No. 3: District policies and procedures did not specify minimum requirements for professional liability insurance for design professionals.

Finding No. 4: The District used capital outlay millage proceeds totaling \$150,000 to partially cover property and casualty insurance premiums; however, the District did not give the required advance public notice that it would use proceeds in this manner.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; and Mathematics and Science Partnerships programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance findings 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.

Federal Awards Finding No. 2: The District did not verify that a vendor was not suspended or debarred from receiving Federal Special Education program moneys, and did not include Federally-required provisions in the vendor's contract.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Union 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. 2009-058.

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

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union 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 16 percent of the assets and more than 99 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Union 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 Union County District School Board's internal control over financial reporting and on our tests of its compliance with

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 38 through 40) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA  
January 29, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Union 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 37.

### FINANCIAL HIGHLIGHTS

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

- General revenues total \$18,273,812.83, or 86.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,828,360.92, or 13.4 percent of all revenues.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$677,489.95 at June 30, 2009, or 3.9 percent of total General Fund expenditures.

### 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 District presented on the accrual basis of accounting. The statement of net assets provides information about the District'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 and debt financing activities are reported as governmental activities.

#### **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal

agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories as discussed below.

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

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

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

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

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

The District uses a private-purpose trust fund to account for scholarship funds established by private donors.

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:

	<b>Net Assets, End of Year</b>	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 5,655,721.88	\$ 8,203,667.89
Capital Assets	24,563,026.87	23,447,901.12
<b>Total Assets</b>	<b>30,218,748.75</b>	<b>31,651,569.01</b>
Long-Term Liabilities	4,180,905.64	3,909,739.93
Other Liabilities	322.90	827,731.96
<b>Total Liabilities</b>	<b>4,181,228.54</b>	<b>4,737,471.89</b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	22,977,517.03	20,952,901.12
Restricted	4,208,484.53	6,012,577.26
Unrestricted Deficit	(1,148,481.35)	(51,381.26)
<b>Total Net Assets</b>	<b>\$ 26,037,520.21</b>	<b>\$ 26,914,097.12</b>

The largest portion of the District’s net assets (88.2 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 represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets 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:

	<b>Operating Results for the Year</b>	
	Governmental	
	Activities	
	6-30-09	6-30-08
<b>Program Revenues:</b>	<b>\$</b>	<b>\$</b>
Charges for Services	661,111.76	728,861.50
Operating Grants and Contributions	1,200,539.88	1,169,112.75
Capital Grants and Contributions	966,709.28	648,232.28
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	1,427,245.40	1,283,351.85
Property Taxes, Levied for Capital Projects	424,208.62	458,892.29
Grants and Contributions Not Restricted to Specific Programs	16,053,822.77	17,049,172.01
Unrestricted Investment Earnings	5,542.06	156,988.33
Miscellaneous	362,993.98	554,009.88
<b>Total Revenues</b>	<b>21,102,173.75</b>	<b>22,048,620.89</b>
<b>Functions/Program Expenses:</b>		
Instruction	11,788,246.34	10,849,283.51
Pupil Personnel Services	873,234.86	813,771.10
Instructional Media Services	230,750.69	211,957.10
Instruction and Curriculum Development Services	537,814.85	403,570.77
Instructional Staff Training Services	869,722.11	953,983.85
Instruction Related Technology	131,583.14	160,249.18
Board of Education	225,557.56	213,773.86
General Administration	293,205.00	333,712.18
School Administration	904,065.04	896,760.40
Facilities Acquisition and Construction	144,395.18	166,741.83
Fiscal Services	406,698.26	394,421.73
Food Services	947,370.14	946,766.95
Central Services	65,332.45	76,657.87
Pupil Transportation Services	851,232.47	891,274.61
Operation of Plant	1,661,991.26	1,605,958.02
Maintenance of Plant	558,561.91	528,390.88
Administrative Technology Services	169,418.55	151,829.99
Community Services	281,573.17	302,714.12
Interest on Long-Term Debt	51,129.59	126,373.14
Unallocated Depreciation Expense	986,868.09	1,643,742.11
<b>Total Functions/Program Expenses</b>	<b>21,978,750.66</b>	<b>21,671,933.20</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (876,576.91)</b>	<b>\$ 376,687.69</b>

The largest revenue source is the State of Florida (73.6 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 \$639,268.97, or 4 percent, primarily due to a reduction in FEFP funding of \$620,960.

Instruction expenses represent 53.6 percent of total governmental expenses in the 2008-09 fiscal year. Instruction expenses increased by \$938,962.83, or 8.7 percent, from the previous year, due mainly to an average 4.25 percent salary increase and the recording of a proportionate share (\$251,134) of other postemployment healthcare costs attributable to the implementation of Government Accounting Standards Board Statement No. 45 in the 2008-09 fiscal year.

## 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 \$677,489.95, while the total fund balance is \$2,953,388.77. The unreserved fund balance decreased by \$309,891.54, while the total fund balance decreased by \$710,625.22 during the fiscal year. Key factors contributing to these changes are as follows:

- A decrease in State revenues of \$959,955.48 (6.2 percent) due primarily to decreased FEFP funding.
- Total expenditures increased by \$664,514.23 (3.9 percent) due mainly to the average 4.25 percent salary increase.
- Factors affecting the composition of total fund balance also include a decrease of \$360,167.48 in the unexpended balance of State categorical program revenues, which are required to be carried forward to the following year to be expended for specific categorical educational programs.

The Special Revenue - Other Fund accounted for Federal grants administered primarily through the State cash advance system. This fund accounted for \$1,846,869.94 each in revenues and expenditures for the 2008-09 fiscal year.

The Special Revenue – ARRA Economic Stimulus Fund accounted for stimulus money received for the Title I and Special Education programs. This fund accounted for \$57,517.50 each in revenues and expenditures for the 2008-09 fiscal year.

The Capital Projects – Public Education Capital Outlay Fund and the Capital Projects – Other Fund have total combined fund balances of \$1,871,045.33 at June 30, 2009, all of which is restricted for the acquisition, construction, and maintenance of capital assets; of this amount, \$209,680.01 is encumbered for specific projects. The two funds' total combined fund balances decreased in the current year by \$1,131,107.03 due primarily to the completion of a six-classroom pod at the District's middle school.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues and expenditures are generally in line with the original and final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$355,381.88 primarily because actual expenditures were \$651,560.77 less than the final amended budget.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2009, amounts to \$24,563,026.87, an increase of \$1,115,125.75 from the prior year. This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software. During the current fiscal year, a new six-classroom pod was completed at Lake Butler Middle School at a cost of almost \$1.4 million.

Additional information on the District's capital assets can be found in Notes 4 and 15 to the financial statements.

**Long-Term Debt**

At June 30, 2009, the District has total long-term debt outstanding of \$2,335,000. This is comprised of bonds payable of \$455,000 and a Qualified Zone Academy Bonds (QZAB) lease-purchase of \$1,880,000. During the year, retirement of debt amounted to \$160,000.

Additional information on the District's long-term debt can be found in Notes 5 through 8 to the financial statements.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Union County District School Board, 55 S.W. 6<sup>th</sup> Street, Lake Butler, Florida 32054.

**BASIC FINANCIAL STATEMENTS**

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

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,319,993.71
Investments	58,688.94
Prepaid Items	200,389.63
Due from Other Agencies	1,049,777.12
Inventories	26,872.48
Capital Assets:	
Nondepreciable Capital Assets	517,173.45
Depreciable Capital Assets, Net	24,045,853.42
<b>TOTAL ASSETS</b>	<b>\$ 30,218,748.75</b>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 282.00
Due to Other Agencies	40.90
Long-Term Liabilities:	
Portion Due Within One Year	270,000.00
Portion Due After One Year	3,910,905.64
<b>Total Liabilities</b>	<b>4,181,228.54</b>
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	22,977,517.03
Restricted for:	
State Categorical Programs	2,255,964.48
Debt Service	14,410.24
Capital Projects	1,498,919.92
Food Service	439,189.89
Unrestricted	(1,148,481.35)
<b>Total Net Assets</b>	<b>26,037,520.21</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 30,218,748.75</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 11,788,246.34	\$	\$	\$	\$ (11,788,246.34)
Pupil Personnel Services	873,234.86				(873,234.86)
Instructional Media Services	230,750.69				(230,750.69)
Instruction and Curriculum Development Services	537,814.85				(537,814.85)
Instructional Staff Training Services	869,722.11				(869,722.11)
Instruction Related Technology	131,583.14				(131,583.14)
Board of Education	225,557.56				(225,557.56)
General Administration	293,205.00				(293,205.00)
School Administration	904,065.04				(904,065.04)
Facilities Acquisition and Construction	144,395.18			744,533.47	600,138.29
Fiscal Services	406,698.26				(406,698.26)
Food Services	947,370.14	377,602.69	679,268.88		109,501.43
Central Services	65,332.45				(65,332.45)
Pupil Transportation Services	851,232.47	7,824.84	521,271.00		(322,136.63)
Operation of Plant	1,661,991.26				(1,661,991.26)
Maintenance of Plant	558,561.91			158,793.00	(399,768.91)
Administrative Technology Services	169,418.55				(169,418.55)
Community Services	281,573.17	275,684.23			(5,888.94)
Interest on Long-Term Debt	51,129.59			63,382.81	12,253.22
Unallocated Depreciation Expense	986,868.09				(986,868.09)
<b>Total Governmental Activities</b>	<b>\$ 21,978,750.66</b>	<b>\$ 661,111.76</b>	<b>\$ 1,200,539.88</b>	<b>\$ 966,709.28</b>	<b>(19,150,389.74)</b>
General Revenues:					
Taxes:					
					1,427,245.40
					424,208.62
					16,053,822.77
					5,542.06
					362,993.98
<b>Total General Revenues</b>					<b>18,273,812.83</b>
<b>Change in Net Assets</b>					<b>(876,576.91)</b>
Net Assets - Beginning					26,914,097.12
<b>Net Assets - Ending</b>					<b>\$ 26,037,520.21</b>

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,577,804.60	\$	\$
Investments	42,823.98		
Prepaid Items	200,389.63		
Due from Other Funds	188,354.16	840.00	
Due from Other Agencies	57,345.21	150,657.29	
Inventories			
<b>TOTAL ASSETS</b>	<b>\$ 3,066,717.58</b>	<b>\$ 151,497.29</b>	<b>\$</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 144.00	\$ 138.00	\$
Due to Other Funds	113,184.81	151,359.29	
<b>Total Liabilities</b>	<b>113,328.81</b>	<b>151,497.29</b>	
Fund Balances:			
Reserved for State Categorical Programs	2,255,964.48		
Reserved for Encumbrances	19,934.34		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	677,489.95		
Special Revenue Funds			
Capital Projects Funds			
<b>Total Fund Balances</b>	<b>2,953,388.77</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,066,717.58</b>	<b>\$ 151,497.29</b>	<b>\$ 0.00</b>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 374,741.18 555.98	\$ 764,855.68 11.49	\$ 602,592.25 15,297.49	\$ 4,319,993.71 58,688.94 200,389.63 299,859.85
765,921.00		110,665.69 75,853.62 26,872.48	1,049,777.12 26,872.48
<u>\$ 1,141,218.16</u>	<u>\$ 764,867.17</u>	<u>\$ 831,281.53</u>	<u>\$ 5,955,581.73</u>
\$ 35,040.00	\$	\$ 316.65	\$ 282.00 299,900.75
<u>35,040.00</u>		<u>316.65</u>	<u>300,182.75</u>
194,303.00	15,377.01	41,539.20 14,410.24	2,255,964.48 271,153.55 14,410.24
911,875.16	749,490.16	408,485.69 366,529.75	677,489.95 408,485.69 2,027,895.07
<u>1,106,178.16</u>	<u>764,867.17</u>	<u>830,964.88</u>	<u>5,655,398.98</u>
<u>\$ 1,141,218.16</u>	<u>\$ 764,867.17</u>	<u>\$ 831,281.53</u>	<u>\$ 5,955,581.73</u>

**UNION 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** \$ 5,655,398.98

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. 24,563,026.87

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:

QZAB Lease-Purchase Payable	\$ 1,880,000.00	
Bonds Payable	455,000.00	
Postemployment Healthcare Benefits Payable	392,523.00	
Compensated Absences Payable	1,453,382.64	(4,180,905.64)

**Total Net Assets - Governmental Activities** \$ 26,037,520.21

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 60,640.42	\$	\$
Federal Through State and Local	63,112.00	1,846,769.94	57,517.50
State	14,548,224.72		
Local:			
Property Taxes	1,427,245.40		
Charges for Services - Food Service			
Miscellaneous	628,868.57	100.00	
<b>Total Revenues</b>	<u>16,728,091.11</u>	<u>1,846,869.94</u>	<u>57,517.50</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	10,525,055.49	937,535.05	49,798.50
Pupil Personnel Services	837,484.87	12,599.12	
Instructional Media Services	225,265.03		
Instruction and Curriculum Development Services	327,588.23	201,076.54	
Instructional Staff Training Services	266,873.87	589,201.09	
Instruction Related Technology	110,997.79	17,473.50	
Board of Education	221,151.68		
General Administration	243,881.58	44,019.00	
School Administration	879,270.86		
Facilities Acquisition and Construction	15,672.21		
Fiscal Services	396,360.75		
Food Services			
Central Services	63,770.43		
Pupil Transportation Services	737,681.06		
Operation of Plant	1,651,933.88		
Maintenance of Plant	547,810.30		
Administrative Technology Services	165,280.69		
Community Services	276,978.39		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	95,659.22	44,965.64	7,719.00
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<u>17,588,716.33</u>	<u>1,846,869.94</u>	<u>57,517.50</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(860,625.22)</u>		
<b>Other Financing Sources (Uses)</b>			
Transfers In	150,000.00		
Transfers Out			
<b>Total Other Financing Sources (Uses)</b>	<u>150,000.00</u>		
<b>Net Change in Fund Balances</b>	(710,625.22)		
Fund Balances, Beginning	3,664,013.99		
<b>Fund Balances, Ending</b>	<u>\$ 2,953,388.77</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		666,339.88	60,640.42
885,497.00		92,970.47	2,633,739.32
			15,526,692.19
		424,208.62	1,851,454.02
7,897.49	11,729.35	377,602.69	377,602.69
		3,449.70	652,045.11
<u>893,394.49</u>	<u>11,729.35</u>	<u>1,564,571.36</u>	<u>21,102,173.75</u>
			11,512,389.04
			850,083.99
			225,265.03
			528,664.77
			856,074.96
			128,471.29
			221,151.68
			287,900.58
275,292.02	91,924.21	27,147.74	879,270.86
			410,036.18
		934,600.73	396,360.75
			934,600.73
			63,770.43
			737,681.06
			1,651,933.88
			547,810.30
			165,280.69
			276,978.39
1,411,895.17	10,900.00	28,485.00	1,451,280.17
72,099.72	174,119.75	92,013.00	486,576.33
		160,000.00	160,000.00
		51,129.59	51,129.59
<u>1,759,286.91</u>	<u>276,943.96</u>	<u>1,293,376.06</u>	<u>22,822,710.70</u>
<u>(865,892.42)</u>	<u>(265,214.61)</u>	<u>271,195.30</u>	<u>(1,720,536.95)</u>
			150,000.00
		(150,000.00)	(150,000.00)
		(150,000.00)	
(865,892.42)	(265,214.61)	121,195.30	(1,720,536.95)
<u>1,972,070.58</u>	<u>1,030,081.78</u>	<u>709,769.58</u>	<u>7,375,935.93</u>
<u>\$ 1,106,178.16</u>	<u>\$ 764,867.17</u>	<u>\$ 830,964.88</u>	<u>\$ 5,655,398.98</u>

**UNION 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** \$ (1,720,536.95)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following details the amount of capital outlays in excess of depreciation expense in the current period:

Current Year Capital Additions	\$ 2,203,497.50	
Depreciation Expense	<u>(1,088,371.75)</u>	1,115,125.75

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The following details long-term debt repayments in the current period:

Principal Repayment - QZAB Lease-Purchase Payable	\$ 120,000.00	
Principal Repayment - Bonds Payable	<u>40,000.00</u>	160,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (38,642.71)

Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year. (392,523.00)

**Change in Net Assets - Governmental Activities** \$ (876,576.91)

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

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

	Private-Purpose Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 22,623.87	\$ 164,104.18
Due from Other Funds	40.90	
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 22,664.77</u>	<u>\$ 164,104.18</u>
<b>LIABILITIES</b>		
Internal Accounts Payable	\$	<u>\$ 164,104.18</u>
<b>NET ASSETS</b>		
Assets Held in Trust for Scholarships and Other Purposes	<u>22,664.77</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,664.77</u>	

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

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

	Private-Purpose Trust Fund
<b>ADDITIONS</b>	
<b>Contributions:</b>	
Gifts, Grants, Endowments, and Bequests	\$ 35,267.00
<b>Investment Earnings:</b>	
Interest, Dividends, and Other	76.40
<b>Total Additions</b>	35,343.40
 <b>DEDUCTIONS</b>	
Scholarship Payments	52,487.50
<b>Change in Net Assets</b>	(17,144.10)
Net Assets - Beginning	39,808.87
<b>Net Assets - Ending</b>	\$ 22,664.77

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

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

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

➤ **Basis of Presentation**

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

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue - Other Fund – to account for certain Federal grant program resources.
- Special Revenue - ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects - Public Education Capital Outlay Fund – to account for the financial resources generated by the Legislative appropriation of gross receipt taxes for the District. These funds are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, maintenance, repairs, and site improvements.
- Capital Projects - Other Fund – to account for the financial resources generated by the proceeds of the Series 2007, Qualified Zone Academy Bonds (QZAB) lease-purchase issued to finance improvements at designated schools, and for other miscellaneous projects.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Fund – to account for resources of the Esther King Scholarship Trust Fund.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.
- **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and

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

judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

➤ **Deposits and Investments**

The District's cash and cash equivalents consist of cash on hand and demand deposits.

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

Investments consist of amounts placed in State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME, and the Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of the District food service 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 purchased during the year, and are adjusted at year-end to reflect year-end inventories.

➤ **Capital Assets**

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

**UNION 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	8 - 15 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	3 - 25 years
Motor Vehicles	5 - 10 years
Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

**UNION 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 an allocation under the Classrooms for Kids 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 Union County Property Appraiser, and property taxes are collected by the Union County Tax Collector.

The School Board adopted the 2008 tax levy on September 9, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

**UNION 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 the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit the District's investment choices, and does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investments, with a fair value of \$4,163.03 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of a portfolio to interest rate changes. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$40,115.67 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 a 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 WAL. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$14,410.24 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

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

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 517,173.45	\$	\$	\$ 517,173.45
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,327,020.28			1,327,020.28
Buildings and Fixed Equipment	30,628,148.68	1,716,921.17		32,345,069.85
Furniture, Fixtures, and Equipment	2,745,906.22	374,000.96	137,841.03	2,982,066.15
Motor Vehicles	1,470,394.28	112,575.37		1,582,969.65
Computer Software	403,684.58			403,684.58
<b>Total Capital Assets Being Depreciated</b>	<b>36,575,154.04</b>	<b>2,203,497.50</b>	<b>137,841.03</b>	<b>38,640,810.51</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,169,614.84	52,345.45		1,221,960.29
Buildings and Fixed Equipment	9,650,220.51	584,341.78		10,234,562.29
Furniture, Fixtures, and Equipment	1,697,842.09	319,965.56	137,841.03	1,879,966.62
Motor Vehicles	876,271.26	101,503.66		977,774.92
Computer Software	250,477.67	30,215.30		280,692.97
<b>Total Accumulated Depreciation</b>	<b>13,644,426.37</b>	<b>1,088,371.75</b>	<b>137,841.03</b>	<b>14,594,957.09</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>22,930,727.67</b>	<b>1,115,125.75</b>		<b>24,045,853.42</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 23,447,901.12</b>	<b>\$ 1,115,125.75</b>	<b>\$ 0.00</b>	<b>\$ 24,563,026.87</b>

Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Pupil Transportation Services	\$ 101,503.66
Unallocated	986,868.09
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,088,371.75</b>

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

**5. QUALIFIED ZONE ACADEMY BONDS LEASE-PURCHASE PAYABLE**

The District entered into a financing arrangement dated December 13, 2007, under the Qualified Zone Academy Bonds (QZAB) program, characterized as a lease-purchase agreement, with a local bank whereby the District secured financing for various educational facilities repairs and improvements and technology equipment upgrades. The QZAB program provides low interest cost financing to purchase certain goods and services for schools located in eligible District areas (zones). The financing was accomplished through the issuance of the Series 2007, QZAB note.

The Series 2007, QZAB note was issued on December 13, 2007, in the original amount of \$2,000,000, and matures annually on December 13 each year over a 15-year term through December 13, 2022, at a stated interest rate of 1.3 percent. The interest rate is subsidized by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt. The rate of return to the bank was established by the United States Government at the time of sale. The QZAB note is secured by the assets held under the lease-purchase agreement in the event of cancellation or default.

The schools designated for the improvements and equipment under the Series 2007, QZAB issue include:

- Lake Butler Elementary School
- Lake Butler Middle School
- Union County High School

The following is a schedule of future minimum lease payments under the lease-purchase agreement together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 149,440	\$ 125,000	\$ 24,440
2011	147,815	125,000	22,815
2012	146,190	125,000	21,190
2013	149,565	130,000	19,565
2014	147,875	130,000	17,875
2015-2019	738,635	675,000	63,635
2020-2023	588,655	570,000	18,655
<b>Total Minimum Lease Payments</b>	<b>\$ 2,068,175</b>	<b>\$ 1,880,000</b>	<b>\$ 188,175</b>

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

**6. BONDS PAYABLE**

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2000A	\$ 20,000	5.125	2010
Series 2002B	165,000	4.000 - 5.375	2015
Series 2005B, Refunding	270,000	5.0	2020
<b>Total Bonds Payable</b>	<b>\$ 455,000</b>		

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

**State School Bonds**

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 67,981.25	\$ 45,000.00	\$ 22,981.25
2011	65,612.50	45,000.00	20,612.50
2012	68,268.75	50,000.00	18,268.75
2013	61,068.75	45,000.00	16,068.75
2014	63,725.00	50,000.00	13,725.00
2015-2019	219,862.50	185,000.00	34,862.50
2020	36,750.00	35,000.00	1,750.00
<b>Total State School Bonds</b>	<b>\$ 583,268.75</b>	<b>\$ 455,000.00</b>	<b>\$ 128,268.75</b>

**7. DEFEASED DEBT**

In prior years, portions of the State School Bonds, Series 2000A, that mature on or after January 1, 2011, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements. On June 30, 2009, State School Bonds, Series 2000A, totaling \$270,000 outstanding are considered defeased in substance.

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

**8. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
QZAB Lease-Purchase Payable	\$ 2,000,000.00	\$	\$ 120,000.00	\$ 1,880,000.00	\$ 125,000.00
Bonds Payable	495,000.00		40,000.00	455,000.00	45,000.00
Compensated Absences Payable	1,414,739.93	104,621.18	65,978.47	1,453,382.64	100,000.00
Postemployment Healthcare Benefits Payable		500,519.00	107,996.00	392,523.00	
<b>Total Governmental Activities</b>	<b><u>\$ 3,909,739.93</u></b>	<b><u>\$ 605,140.18</u></b>	<b><u>\$ 333,974.47</u></b>	<b><u>\$ 4,180,905.64</u></b>	<b><u>\$ 270,000.00</u></b>

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

**9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 188,354.16	\$ 113,184.81
Special Revenue:		
Other	840.00	151,359.29
Capital Projects:		
Public Education Capital Outlay		35,040.00
Nonmajor Governmental	110,665.69	316.65
Fiduciary	40.90	
<b>Total</b>	<b><u>\$ 299,900.75</u></b>	<b><u>\$ 299,900.75</u></b>

Interfund receivables and payables include indirect cost recoveries on Federal grants and amounts due for expenditures paid by a particular fund on behalf of another fund. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 150,000.00	\$
Nonmajor Governmental		150,000.00
<b>Total</b>	<b><u>\$ 150,000.00</u></b>	<b><u>\$ 150,000.00</u></b>

Interfund transfers represent the permanent transfers of moneys between funds. The above transfer was to reimburse the General Fund for risk management property and casualty insurance premiums.

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

**10. RESERVE FOR ENCUMBRANCES**

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

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

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$74,931.82 at June 30, 2009.

**11. SCHEDULE OF STATE REVENUE SOURCES**

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 10,688,246.00
Categorical Educational Programs:	
Class Size Reduction Operating	2,206,937.00
Transportation	521,271.00
Instructional Materials	206,811.00
Other	349,830.63
Classrooms for Kids Program	647,206.00
Gross Receipts Tax (Public Education Capital Outlay)	238,291.00
Workforce Development Program	163,796.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	81,212.28
Discretionary Lottery Funds	52,722.00
Food Service Supplement	12,929.00
Mobile Home License Tax	9,589.65
Miscellaneous	347,850.63
	<hr/>
Total	<u>\$ 15,526,692.19</u>

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

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

**12. PROPERTY TAXES**

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

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.131	\$ 1,279,982.57
Basic Discretionary Local Effort	0.510	127,225.00
Supplemental Discretionary Local Effort	0.250	62,365.20
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	436,556.37
Total	7.641	\$1,906,129.14

**13. FLORIDA RETIREMENT SYSTEM**

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP.

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

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 individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 49 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$147,177.32.

**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 \$938,608.57, \$961,424.36, and \$1,006,087.86, respectively, which were equal to the required contributions for each fiscal year.

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

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$3,966,161 at the July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

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

**Plan Description.** The Postemployment Healthcare Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and their eligible dependents, are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Additionally, the District pays a portion of health insurance (explicit subsidy) for retired employees, who were employed prior to July 1, 2000, and have at least 12 years of service with the District, until they reach 65 years of age. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

**Funding Policy.** Contribution requirements of the District and Plan members are established and may be amended through recommendations and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 21 retirees received postemployment healthcare benefits. The District provided required contributions of \$107,996 toward the annual OPEB cost, comprised of payments made on behalf of retirees net of retiree contributions totaling \$32,052, which represents 0.3 percent of covered payroll.

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

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

Description	Amount
Normal Cost (service cost for one year)	\$ 260,726
Amortization of Unfunded Actuarial Accrued Liability	229,364
Interest on Normal Cost and Amortization	10,429
Annual Required Contribution	500,519
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	500,519
Contribution Toward the OPEB Cost	(107,996)
Increase in Net OPEB Obligation	392,523
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	\$ 392,523

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08	\$		\$ 0
2008-09	500,519	21.6%	392,523

***Funded Status and Funding Progress.*** As of July 1, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$3,966,161, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,966,161 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$11,061,000 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.9 percent.

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

***Actuarial Methods and Assumptions.*** Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used

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

include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District’s initial OPEB actuarial valuation as of July 1, 2008, used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and the District’s 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included an annual healthcare cost trend rate of 6.5 percent initially for the 2008-09 fiscal year, reduced to an ultimate rate of 4.5 percent after 76 years. The unfunded actuarial accrued liability is being amortized on a level dollar, closed basis. The remaining amortization period at June 30, 2009, was 29 years.

**15. CONSTRUCTION CONTRACT COMMITMENTS**

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

Project	Contract Amount	Completed to Date	Balance Committed
Lake Butler Elementary School Roof Replacement, Bldg 7:			
Architect	\$ 14,400	\$ 11,917	\$ 2,483
Contractor	186,203		186,203
Total	<u>\$ 200,603</u>	<u>\$ 11,917</u>	<u>\$ 188,686</u>

**16. 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 Union County District School Board is a member of the North East Florida Educational Consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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

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

Employee group health and hospitalization coverage is provided through purchased commercial insurance with minimum deductibles for each line of coverage.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**UNION 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	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 53,000.00	\$ 53,000.00	\$ 60,640.42	\$ 7,640.42
Federal Through State and Local			63,112.00	63,112.00
State	15,353,496.00	15,295,944.00	14,548,224.72	(747,719.28)
Local:				
Property Taxes	1,220,100.00	1,220,100.00	1,427,245.40	207,145.40
Miscellaneous	605,226.00	605,226.00	628,868.57	23,642.57
<b>Total Revenues</b>	<b>17,231,822.00</b>	<b>17,174,270.00</b>	<b>16,728,091.11</b>	<b>(446,178.89)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	10,977,745.23	10,837,035.84	10,525,055.49	311,980.35
Pupil Personnel Services	781,491.39	837,518.52	837,484.87	33.65
Instructional Media Services	251,861.76	250,133.76	225,265.03	24,868.73
Instruction and Curriculum Development Services	301,821.93	328,073.12	327,588.23	484.89
Instructional Staff Training Services	267,081.68	267,731.41	266,873.87	857.54
Instruction Related Technology	111,042.01	111,042.01	110,997.79	44.22
Board of Education	229,318.76	229,018.76	221,151.68	7,867.08
General Administration	269,863.26	269,613.02	243,881.58	25,731.44
School Administration	881,053.12	881,053.12	879,270.86	1,782.26
Facilities Acquisition and Construction	148,976.47	122,539.35	15,672.21	106,867.14
Fiscal Services	432,497.39	422,197.39	396,360.75	25,836.64
Food Services				
Central Services	78,325.38	72,525.38	63,770.43	8,754.95
Pupil Transportation Services	783,546.68	825,674.68	737,681.06	87,993.62
Operation of Plant	1,671,646.31	1,671,646.31	1,651,933.88	19,712.43
Maintenance of Plant	643,833.88	564,422.03	547,810.30	16,611.73
Administrative Technology Services	168,812.50	177,412.50	165,280.69	12,131.81
Community Services	325,981.00	276,980.68	276,978.39	2.29
Fixed Capital Outlay:				
Other Capital Outlay		95,659.22	95,659.22	
<b>Total Expenditures</b>	<b>18,324,898.75</b>	<b>18,240,277.10</b>	<b>17,588,716.33</b>	<b>651,560.77</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(1,093,076.75)</b>	<b>(1,066,007.10)</b>	<b>(860,625.22)</b>	<b>205,381.88</b>
<b>Other Financing Sources</b>				
Transfers In			150,000.00	150,000.00
<b>Total Other Financing Sources</b>			<b>150,000.00</b>	<b>150,000.00</b>
<b>Net Change in Fund Balances</b>	<b>(1,093,076.75)</b>	<b>(1,066,007.10)</b>	<b>(710,625.22)</b>	<b>355,381.88</b>
Fund Balances, Beginning	3,664,013.99	3,664,013.99	3,664,013.99	
<b>Fund Balances, Ending</b>	<b>\$ 2,570,937.24</b>	<b>\$ 2,598,006.89</b>	<b>\$ 2,953,388.77</b>	<b>\$ 355,381.88</b>

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,262,117.75	\$ 2,283,320.73	\$ 1,846,769.94	\$ (436,550.79)	\$	\$ 378,907.00	\$ 57,517.50	\$ (321,389.50)
		100.00	100.00				
<u>1,262,117.75</u>	<u>2,283,320.73</u>	<u>1,846,869.94</u>	<u>(436,450.79)</u>		<u>378,907.00</u>	<u>57,517.50</u>	<u>(321,389.50)</u>
1,011,439.75	1,369,659.25	937,535.05	432,124.20		279,885.43	49,798.50	230,086.93
17,673.00	18,953.34	12,599.12	6,354.22		10,998.80		10,998.80
14,915.00	220,985.82	201,076.54	19,909.28				
171,541.00	581,135.69	589,201.09	(8,065.40)				
		17,473.50	(17,473.50)		45,905.95		45,905.95
46,549.00	47,620.99	44,019.00	3,601.99		12,647.82		12,647.82
						21,750.00	21,750.00
	44,965.64	44,965.64			7,719.00	7,719.00	
<u>1,262,117.75</u>	<u>2,283,320.73</u>	<u>1,846,869.94</u>	<u>436,450.79</u>		<u>378,907.00</u>	<u>57,517.50</u>	<u>321,389.50</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2008	\$ 0	\$ 3,966,161	\$ 3,966,161	0.0%	\$ 11,061,000	35.9%

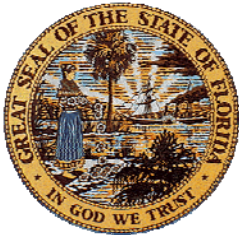
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**UNION 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)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 136,844.80
National School Lunch Program	10.555	300	436,675.97
Summer Food Service Program for Children	10.559	323	19,957.11
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	72,862.00
<b>Total Child Nutrition Cluster</b>			<u>666,339.88</u>
<b>United States Department of Education:</b>			
Direct:			
Impact Aid	84.041	N/A	6,256.88
Indirect:			
Florida Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	212, 223, 228	379,085.95
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	32,867.50
<b>Total Title I, Part A Cluster</b>			<u>411,953.45</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	263	512,994.99
Special Education - Preschool Grants	84.173	267	25,141.76
ARRA - Special Education Grants to States, Recovery Act	84.391	263	24,650.00
<b>Total Special Education Cluster</b>			<u>562,786.75</u>
Adult Education - Basic Grants to States	84.002	191	40,708.50
Career and Technical Education - Basic Grants to States	84.048	151,161	117,350.83
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	8,453.34
Education Technology State Grants	84.318	121	3,335.66
Rural Education	84.358	110	10,059.15
Mathematics and Science Partnerships	84.366	235	605,283.18
Improving Teacher Quality State Grants	84.367	224	144,456.58
Putnam County District School Board:			
Twenty-First Century Community Learning Centers	84.287	None	9,518.91
Early Reading First	84.359	None	86,058.25
<b>Total Indirect</b>			<u>1,999,964.60</u>
<b>Total United States Department of Education</b>			<u>2,006,221.48</u>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	54,383.54
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,276,944.90</u>

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

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District’s basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Union County District School Board’s financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND**

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

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

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

### **Compliance and Other Matters**

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

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

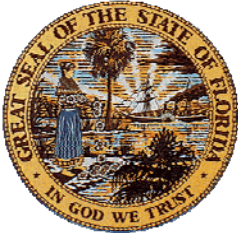
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA  
January 29, 2010



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

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

### Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

## 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 29, 2010

**UNION 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?	Yes
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:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); and Mathematics and Science Partnerships (CFDA No. 84.366)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk?	No

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

**FINANCIAL STATEMENT FINDING**

**MATERIAL WEAKNESS**

**Finding No. 1: Financial Reporting**

One of the principal methods that a school district uses to document accountability for the public resources that it receives for its operations is by preparing its annual financial report. District personnel should ensure that the report is accurate and contains required presentations and disclosures so that the users, such as the Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition. Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep, or to have kept, accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules which should be prepared as part of the District’s annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP).

GAAP require that financial statements contain appropriate presentations and disclosures relating to financial statement amounts. GAAP also require the District to prepare a management’s discussion and analysis (MD&A) as supplementary information to introduce the basic financial statements and provide an analytical overview of the government’s financial statements, including explanations of significant variances between current and prior year data. Other supplementary information required includes budgetary comparison information, containing original and final appropriated budgets as well as actual inflows, outflows, and balances, for the General and major Special Revenue Funds. Similarly, State law and rules require that certain exhibits and schedules be included in the financial reporting package so that they can be audited in accordance with generally accepted government auditing standards. Our review of the District’s 2008-09 fiscal year annual financial report, presented for audit, disclosed material errors and omissions. For example:

Fund Financial Statements:

- Preparation of fund financial statements pursuant to GAAP requires an analysis to determine the major funds that require separate columnar presentation. The District is required to report a fund as major when the fund’s assets represent at least 10 percent of the total governmental funds assets; however, District personnel overlooked separately reporting the Capital Projects – Other Fund as a major fund, although the fund’s assets, totaling \$764,867, represented approximately 13 percent of total governmental funds assets. Separately reporting major funds allows financial statement users to readily identify the District’s most significant funds and their related balances and transactions, ensures compliance with GAAP, and ensures that all major funds receive the appropriate level of audit attention.
- In the Capital Projects – Public Education Capital Outlay Fund, District personnel did not properly identify and record an audit adjustment, totaling \$179,527, from the 2007-08 fiscal year, as discussed in our report No. 2009-058, resulting in expenditures and adjustment to beginning fund balance each being overstated by

that amount for the 2008-09 fiscal year. The adjustment to beginning fund balance was also overstated \$1,837,082, representing overstatements of \$1,071,161 and \$765,921 for State revenue and deferred revenue, respectively, because District personnel misunderstood guidance from FDOE that requires accrual of Public Education Capital Outlay revenues when encumbrance authorizations are issued by FDOE.

- For the other governmental funds, District personnel misreported an operating transfer as a due to other funds debit of \$150,000, resulting in transfers out being understated by this same amount on the financial statements.
- For the Special Revenue – Other Fund, District personnel erroneously netted the negative cash amount of \$98,359 as part of due from other agencies, instead of reporting the negative cash as a due to other funds. As a result, the District understated due to other funds and due from other agencies by \$98,359 each.

Government-Wide, Reconciliation Information, and Notes to Financial Statements:

- Errors were noted in the amounts and classification of certain net assets reported in the government-wide statement of net assets, including understating invested in capital assets, net of related debt, by \$756,290; understating restricted for capital projects by \$723,089; understating restricted for food service by \$439,190; and other understated net asset accounts, totaling \$6,898; resulting in overstating unrestricted net assets by \$1,925,467. These errors mainly occurred because the District erroneously considered unexpended debt proceeds in the calculation of invested in capital assets, net of related debt, and amounts reported in the fund financial statements for capital projects and special revenue were not properly reported as restricted in the government-wide statements.
- The District is required to present reconciliation information to explain the differences between the change in fund balances reported in the fund financial statements and the change in net assets reported in the government-wide financial statements. Reconciling items arise from differences in the measurement focus and basis of accounting between the statements, and certain required eliminations. However, we noted that District personnel made several errors in presenting reconciliation information in the financial statements. For example, the District is required to report information to reconcile the amounts reported for capital assets and long-term liabilities in the government-wide statement of net assets to amounts reported in the fund financial statements. However, the reconciliation schedule excluded consideration of approximately \$1.1 million for the capital outlay expenditures in excess of depreciation expense, and included an erroneous \$1.8 million reconciling item for transactions in the previous year for qualified zone academy bond (QZAB) proceeds received in excess of payments made.
- The basic financial statements are required to include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to the District's activity. However, the notes to financial statements contained several errors and misstatements. For example, the notes excluded a description of the other postemployment healthcare benefits plan, funding status and progress, and actuarial methods and assumptions. When note disclosures are not properly prepared, the risk increases for financial statement users to misunderstand the information presented on the financial statements.

Schedule of Expenditures of Federal Awards and Required Supplementary Information:

- The United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* requires the District to prepare a Schedule of Expenditures of Federal Awards (SEFA). However, we noted instances in which the District's SEFA did not contain certain required data, contrary to *Circular A-133*, as noted in the following examples:
  - The District's SEFA incorrectly included State funds of \$2,206,937 identified as Class Size Reduction.
  - The District omitted the Mathematics and Science Partnerships (CFDA No. 84.366) program and related expenditures of \$605,283 from the SEFA.
  - Special Education Cluster program expenditures were understated \$396,550, including the omission of \$24,650 of ARRA - Special Education Grants to States, Recovery Act (CFDA No. 84.391) moneys.

- Title I, Part A Cluster program expenditures were understated \$42,273, including the omission of \$32,868 of ARRA - Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389) moneys.

Without procedures to accurately report Federal programs and related expenditures on the SEFA, the risk increases that major Federal programs may not be audited, and costs associated with those programs may be subject to disallowance by grantors.

- District personnel failed to properly report certain required supplementary information (RSI), such as the RSI Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the Special Revenue – Other Fund and the Special Revenue – ARRA Economic Stimulus Fund. Absent such information, financial statement users may not have information to make informed decisions regarding the original and final budget and actual activities of these major funds.
- The MD&A included in the annual financial report as RSI had numerous errors and omissions in the information reported. For example, the financial analysis of the District’s funds asserted that the General Fund total fund balance decreased by \$2,631,035, when according to the annual financial report’s governmental fund statements, the decrease was \$510,359 (per audit it decreased \$710,625). In addition, the analysis of capital assets and long-term debt asserted that long-term debt experienced a large increase in the 2008-09 fiscal year due to receipt of \$2.0 million in QZAB proceeds; however, the receipt of QZAB proceeds actually occurred in the 2007-08 fiscal year.

Additionally, we noted numerous journal entries that were erroneously made in an effort to record prior audit adjustments and other activities related to the 2008-09 fiscal year transactions. After preparation of the annual financial report, the former Director of Finance terminated employment with the District, and effective review procedures were not in place to ensure the annual financial report was accurate and complete. We extended our audit procedures to determine the adjustments necessary for the fair presentation of the District’s basic financial statements and certain supplementary information, and District staff accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate control procedures over financial reporting. A similar finding was noted in our report No. 2009-058.

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**Recommendation:** To facilitate necessary financial reporting, the District should establish procedures to ensure the accuracy and completeness of its annual financial report.

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**ADDITIONAL MATTERS**

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**Finding No. 2: Construction Change Orders**

Section 4.2(5) of the Florida Department of Education’s publication, *State Requirements for Educational Facilities 2007*, requires that changes to construction contracts be initiated by change order and that a board shall approve all changes in construction after award of a contract, or may develop a policy to delegate approval as authorized. Pursuant to Section 1013.48, Florida Statutes, and Board Policy 8.28, the Board authorized the Superintendent or designee to approve change orders up to \$6,000 over the original or last contract amount approved by the Board to expedite the work in progress. The Board is to obtain copies of all approved change orders and record approval of the change order in its minutes at its first regular or special meeting following the approval of the change order.

The Board approved a contract, in January 2009, for roof repairs, costing \$196,733, for buildings 2 and 4 at Lake Butler Elementary School, and the contractor completed the work in April 2009. In May 2009, the District’s project coordinator approved the contractor to increase the scope of work to include the roof and deck for Classroom Pod C at the elementary school for an additional cost of \$79,500. The contractor completed the work and the District made final payment in August 2009; however, the amount exceeded the \$6,000 threshold established by Board policy and

District records did not evidence that the Superintendent had delegated authority to approve change orders to the project coordinator. Further, the Board did not subsequently approve a change order increasing the scope and cost of the original project. Without Board policy or official action to authorize the project coordinator to approve change orders, changes in the scope and cost of construction projects could be made that are inconsistent with the intentions of the Board, increasing the risk of misunderstandings with contractors and unnecessary construction costs.

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**Recommendation:** The District should enhance procedures to ensure that the Superintendent or designee approves change orders, limited to amounts established by Board policy, and that the change orders are timely approved by the Board.

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### Finding No. 3: Construction – Design Professional Insurance

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Guidelines for Section 4.1 of the Florida Department of Education’s publication, *State Requirements for Educational Facilities 2007*, recommend that district school boards ensure that design professionals carry insurance against errors and omissions or liability, either by board policy establishing minimum requirements or by including a requirement in the advertisement for request for services. By following such recommendations and adopting policies and establishing procedures to ensure that contracted firms are properly insured for coverage such as professional liability, errors and omissions, and workers’ compensation liability, the District can limit its exposure to the various risks of possible loss relating to services from design professionals.

In September 2008, the District entered into a two-year continuing contract with a consultant for architectural and engineering services. Our review of the Board minutes indicated that the District planned to use the consultant for projects with total anticipated costs of approximately \$300,000 to \$400,000, and the District paid approximately \$50,000 to the consultant from inception of the contract to June 30, 2009. However, the provisions of the contract limited the consultant’s liability for damages to the consultant’s fee, and District records did not evidence the basis upon which this determination was made. Further, the Board had not adopted policies specifying the minimum types and limits of insurance requirements and procedures to ensure that design professionals are properly insured prior to awarding contracts. Without appropriate and sufficient insurance coverage for design professionals, or a determination that the consultant’s fee would be the extent of possible loss relating to design flaws, the District may be subject to unforeseen costs relating to errors made by the consultant.

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**Recommendation:** The District should establish policies specifying the minimum types and limits of insurance requirements and procedures to ensure that design professionals are properly insured prior to awarding contracts. Consideration should be given not only to the experience and capabilities of design professionals, but also to the anticipated project costs.

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### Finding No. 4: Ad Valorem Taxation

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The Board was authorized pursuant to the provisions of Section 1011.71, Florida Statutes, to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. The conditions precedent to the levy of such taxes have been narrowly construed by the courts (e.g., *Wilson vs. School Board of Marion County*, 424 So.2d 16 [Fla. 5<sup>th</sup> DCA 1983]), and failure to fully comply with such conditions may serve to invalidate the levies. Among the specific conditions imposed by Section 200.065(10)(a), Florida Statutes, are requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each such tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes. Furthermore, Section

200.065(10)(b), Florida Statutes, establishes requirements for amending a list of capital outlay projects previously advertised and adopted.

Pursuant to Section 1011.71, Florida Statutes, ad valorem taxes may be used for capital outlay purposes such as construction, renovation, and the payment of property and casualty insurance premium costs. In June 2009, the District reimbursed the General Fund for a portion of the property and casualty insurance premium costs by making a transfer of ad valorem tax proceeds, totaling \$150,000; however, the District did not specify this use of ad valorem taxes in the advertised notice of tax levy, contrary to Section 200.065(10), Florida Statutes.

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**Recommendation:** The District should enhance procedures to ensure that expenditures of tax levies are made only after being properly advertised pursuant to Section 200.065, Florida Statutes. Also, in the absence of an advertised notice, these moneys, totaling \$150,000, for property and casualty insurance premium costs should be restored to the capital outlay millage fund.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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**Federal Awards Finding No. 1**

**Federal Agencies:** United States Department of Agriculture and United States Department of Education

**Pass-Through Entity:** Florida Department of Education

**Programs:** ARRA: Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); SFSF – Government Services, Recovery Act (CFDA No. 84.397)

**Finding Type:** Noncompliance

**Questioned Costs:** Not applicable

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

The Florida Department of Education 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)	\$ 21,750
ARRA – Education for Homeless Children and Youth (84.387)	16,384
ARRA – Title I (84.389)	187,983
ARRA – Special Education (84.391)	510,263
ARRA – Special Education, Preschool (84.392)	16,066
ARRA – State Fiscal Stabilization (84.394)	706,027
ARRA – State Fiscal Stabilization (84.397)	26,541

The District originally designated the Food Service Coordinator to register in CCR and to monitor the District’s ARRA Federal reporting requirements. On July 27, 2009, the Coordinator took steps to register in CCR and received e-mail correspondence from CCR indicating that the registration was complete; however, because of certain incorrect information submitted, the registration was ultimately not successful. Subsequent to our inquiries, the District designated the Director of Finance to monitor future ARRA Federal reporting requirements and on December 18, 2009, the District successfully registered with CCR. Without timely registration in CCR, the District may be limited in its eligibility to receive ARRA Federal funds.

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

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District Contact Person: Renae Prevatt, Director of Finance

**Federal Awards Finding No. 2**  
**Federal Agencies:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Programs:** Special Education – Grants to States (CFDA No. 84.027)  
**Finding Type:** Noncompliance  
**Questioned Costs:** Not applicable

**Procurement - Suspension and Debarment and Contract Provisions.** The United States Office of Management and Budget *Circular A-102* provides that vendors receiving individual awards of Federal money for \$25,000 or more must certify that the organization and its principals are not suspended or debarred from receiving Federal funds. The District may make this determination by checking the *Excluded Parties List System (EPLS)* issued by the General Services Administration, obtaining a written certification from the vendor, or by inserting a clause in the agreement with the entity.

Additionally, Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- For contracts in excess of \$10,000, a provision for termination for cause and convenience by the grantee or subgrantee, including the manner by which it will be effected and the basis of settlement.
- Access to records of the contractor which are directly pertinent to the contract.
- Retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

Our perusal of expenditures from the Special Education program disclosed that the District paid \$31,871 to a vendor for contractual services without requiring the vendor to certify that it was not suspended or debarred from receiving Federal funds, and the District did not verify the vendor’s suspension or debarment status by checking the *EPLS*. In addition, the contract with this vendor excluded the above Federally-required language. While we verified that the vendor was not included on the *EPLS*, our tests cannot substitute for management’s responsibility to establish and maintain an adequate system of internal control. Also, failure to include the required contract provisions could limit the District’s actions if disputes arose with the contractor, and could result in disallowance of grant expenditures by the grantor. A similar finding was noted in our report No. 2009-058.

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**Recommendation:** The District should establish procedures, as required, for determining if vendors are suspended or debarred prior to entering into contracts, and ensure that such contracts contain the Federally-required provisions.

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District Contact Person: Renae Prevatt, Director of Finance

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-058.

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*UNION 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
2008-110 (2) and 2009-058 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) / Suspension and Debarment	District records did not evidence compliance with suspension and debarment requirements for expenditures of Title I and Child Nutrition Cluster funds.	Partially corrected	Control deficiency continues in a different Federal program (Special Education Cluster).

EXHIBIT A  
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF UNION COUNTY

Carlton Faulk, Superintendent  
55 SW 6<sup>th</sup> Street  
Lake Butler, FL 32054  
(386) 496-2045

FAX (386) 496-2580

SUNCOM 823-2045

Board Members:	Allen Parrish, District 1	Alvin Griffis, District 2	Marsan Carr, District 3	Sandra Floyd, District 4	George Green, Jr., District 5
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January 29, 2010

Honorable David W. Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Please accept the statements below as our official responses to the preliminary and tentative audit findings dated January 15, 2010 for the Union County District School Board for the fiscal year ending June 30, 2009.

**Finding No. 1:** Improvements are needed in District procedures for ensuring the accuracy and completeness of the annual financial report.

**District Response:** The District hired a new Director of Finance to assume the finance operations of the District. The Director will follow generally accepted accounting principles (GAAP) in addition to Florida Statutes, Florida Administrative Code, State Board of Education Rules and Good Business Practices to ensure accurate and complete financial reporting.

**Finding No. 2:** Board policy was not followed for approval of construction project change orders.

**District Response:** The District will follow Board policies relating to all construction change orders. All change orders will be approved by the Board prior to service performance unless the change order is less than \$6,000 and the Superintendent or designee determines prior approval by the Board would unduly delay project progress negatively impacting the District. At such time the change order would be presented to the Board at the next Board meeting as prescribed by Board policy.

**Finding No. 3:** District policies and procedures did not specify minimum requirements for professional liability insurance for design professionals.

**District Response:** The District will develop and request Board approval of a policy addressing professional liability insurance requirements for design professionals providing services to the District.

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Affirmative action/equal opportunity employer

**Finding No. 4:** The District used capital outlay millage proceeds totaling \$150,000 to partially cover property and casualty insurance premiums; however, the District did not give the required advance public notice that it would use the proceeds in this manner.

**District Response:** In the future, the District Director of Finance will ensure expenditures of tax levies are only used for the purposes for which they were advertised. Pursuant to Section 200.065, F.S. property and casualty premiums are an allowed expenditure of ad valorem taxes, therefore, the District will re-advertise the tax levy specifying the uses of the funds.

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

**District Response:** The District is registered with the Central Contractor Registration (CCR) database and the Director of Finance is the contact for all matters related to the CCR registration updates and renewals. Future monitoring by the Director of Finance will ensure compliance with Federal regulations.

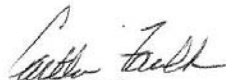
**Federal Awards Finding No. 2:** The District did not verify that a vendor was not suspended or debarred from receiving Federal Special Education program moneys, and did not include Federally-required provisions in the vendor's contract.

**District Response:** The District is updating purchase order forms to include the necessary language to outline suspension and debarment requirements and the Federally required contractual language. In addition, District personnel will be informed of the requirement to complete and provide a purchase order for all transactions to vendors. The combination of the District's efforts should ensure business is not conducted with vendors who are suspended or debarred from receiving federal funds.

It was a pleasure to work with Mr. Chris Meyer and Mr. Phil Ciano from the Gainesville section office. We would like to thank them for their assistance and technical advice during the audit.

If you have any questions or need further assistance please contact me.

Sincerely,

  
Carlton Faulk  
Superintendent  
Union County District School Board

Pc: Renae P. Prevatt