

**JEFFERSON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Edward W. Vollertsen, Vice Chair to 11-17-08, Chair from 11-18-08	1
Earlene W. Knight to 11-17-08	2
Sandra G. Saunders from 11-18-08, Vice Chair	2
Shirley Alexander Washington	3
Franklin Hightower to 11-17-08	4
Marianne Arbulu from 11-18-08	4
Charles P. Boland, Chair to 11-17-08	5

Philip O. Barker, Superintendent to 11-17-08
William E. Brumfield, Superintendent from 11-18-08

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

The audit team leader was Jaime N. Hoelscher, CPA, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

JEFFERSON COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	9
Statement of Net Assets	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	19
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	40
Schedule of Funding Progress – Postemployment Healthcare Benefits Plan.....	42
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	43
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	44
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	48
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	59
EXHIBIT A – MANAGEMENT'S RESPONSE	60

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be material weaknesses, and certain matters that we consider to be significant deficiencies, as summarized below.

The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States, as summarized under Finding No. 2 below. We also noted certain additional matters that are summarized below.

MATERIAL WEAKNESSES

Finding No. 1: The District was in a state of financial emergency and continued to experience a decline in its financial condition during the 2008-09 fiscal year. At June 30, 2009, the General Fund unreserved fund balance was a deficit \$688,816.29, and total fund balance was a deficit \$579,083.71.

Finding No. 2: Enhancements could be made in the Board's budgetary process and the presentation of required monthly financial statements to the Board.

SIGNIFICANT DEFICIENCIES

Finding No. 3: Improvements are needed to ensure account balances and transactions are properly reported on the financial statements.

Finding No. 4: Enhancements could be made to ensure effective controls in the personnel and payroll departments.

ADDITIONAL MATTERS

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

Finding No. 6: Improvements were needed in controls over the reporting of instructional contact hours to the Florida Department of Education.

Finding No. 7: Improvements are needed to enhance controls over student diplomas.

Finding No. 8: The District had not implemented a formal ongoing security awareness training program to protect information technology (IT) resources.

Finding No. 9: The District lacked written policies and procedures for certain IT functions.

Finding No. 10: The District's Disaster Recovery Plan lacked several key disaster recovery control elements and had not been tested.

Finding No. 11: Certain IT security controls in the areas of network security and application access and authorization needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; and Charter Schools 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 instances of noncompliance 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 timely verify that two vendors, paid \$37,500 and \$36,520, respectively, were not suspended or debarred from receiving Federal Title I program moneys, and did not include Federally-required provisions in the vendors' contracts.

Audit Objectives and Scope

Our audit objectives were to determine whether the Jefferson 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. 2009-094.

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jefferson 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 10 percent of the assets and 72 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the CARE Charter School of Excellence, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Jefferson 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 Jefferson 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 40 through 42) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
March 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

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

- In total, net assets decreased \$907,632.89 from the 2007-08 fiscal year.
- At June 30, 2009, the unrestricted net assets deficit is \$1,969,880.47, compared to a deficit of \$1,520,349.40 at June 30, 2008.
- General revenues total \$11,607,500.96. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1,235,485.51.
- Expenses total \$13,750,619.36. Only \$1,235,485.51 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$907,632.89.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, had a deficit balance of \$688,816.29 at June 30, 2009, while total fund balance had a deficit of \$579,083.71.

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.

The government-wide statements present the District's activities in two categories:

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

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, the Special Revenue – ARRA Economic Stimulus Fund, the Capital Projects – Local Capital Improvement Fund, and the 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 agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 1,446,862.90	\$ 1,573,980.89
Capital Assets	30,159,561.55	31,136,913.94
Total Assets	31,606,424.45	32,710,894.83
Long-Term Liabilities	2,217,404.61	626,379.96
Other Liabilities	903,345.33	2,691,207.47
Total Liabilities	3,120,749.94	3,317,587.43
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	29,346,183.20	30,089,535.72
Restricted	1,109,371.78	824,121.08
Unrestricted Deficit	(1,969,880.47)	(1,520,349.40)
Total Net Assets	\$ 28,485,674.51	\$ 29,393,307.40

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

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

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

	Operating Results for the Year	
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 88,783.10	\$ 88,342.98
Operating Grants and Contributions	813,084.39	952,082.27
Capital Grants and Contributions	333,618.02	1,025,001.73
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,363,591.57	3,112,652.90
Property Taxes, Levied for Capital Projects	1,043,617.06	1,134,386.90
Grants and Contributions Not Restricted to Specific Programs	6,846,339.32	7,936,877.66
Unrestricted Investment Earnings	(53,711.87)	85,331.69
Miscellaneous	407,664.88	319,869.79
Total Revenues	12,842,986.47	14,654,545.92
Functions/Program Expenses:		
Instruction	6,258,431.72	6,779,267.83
Pupil Personnel Services	372,098.47	547,916.96
Instructional Media Services	101,738.97	82,431.56
Instruction and Curriculum Development Services	479,789.57	801,236.42
Instructional Staff Training Services	177,507.85	282,938.18
Instruction Related Technology	146,663.97	148,189.68
Board of Education	288,663.77	266,727.47
General Administration	447,926.52	420,395.53
School Administration	665,117.22	730,333.01
Facilities Acquisition and Construction	359,477.72	360,416.00
Fiscal Services	319,799.42	280,614.16
Food Services	606,275.13	696,117.39
Central Services	24,306.73	10,095.03
Pupil Transportation Services	819,926.95	976,782.40
Operation of Plant	1,093,686.32	1,144,014.59
Maintenance of Plant	354,644.90	275,755.43
Administrative Technology Services	76,170.35	75,815.22
Interest on Long-Term Debt	75,947.38	139,950.20
Unallocated Depreciation Expense	1,082,446.40	1,057,799.07
Total Functions/Program Expenses	13,750,619.36	15,076,796.13
Decrease in Net Assets	\$ (907,632.89)	\$ (422,250.21)

The largest revenue source is the State of Florida. 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. During the 2008-09 fiscal year, the District’s FEFP revenue was reduced due to declining enrollment and a reduction in per student FEFP funding. The \$769,653 decline in FEFP was the primary factor for the decrease in grants and contributions not restricted to specific programs.

Other State revenues include amounts for acquisition, construction, and maintenance of educational facilities. These revenues decreased by \$686,241.62, or 73 percent, from the previous year due mainly to the completion of a renovation project, and a reduction in Public Education Capital Outlay and Class Size Reduction Construction appropriations. Expenses decreased \$1.3 million, due primarily to a reduction in staff.

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 a deficit \$688,816.29, while the total fund balance is a deficit \$579,083.71. The total fund balance decreased by \$754,631.33 during the fiscal year. While expenditures decreased \$859,881.48, State revenues decreased \$979,815.41 due primarily to a decrease in FEFP revenues. The District's funded student enrollment decreased by 40 (3.5 percent) to 1,146 students. Additionally, approximately 100 students of the 1,146 students (8.7 percent), attend the CARE Charter School of Excellence, Inc., a charter school that began operations during the 2008-09 fiscal year. Accordingly, the funding for these students was provided to the charter school.

The Special Revenue – Other Fund is used to account for Federal grant programs and allowed expenditures are specified by grant agreements. Revenues and expenditures were 6 percent less than the previous year due to fewer grant dollars awarded, due in part to declining enrollment. Since the revenues in this fund are equal to amounts expended, there is no ending fund balance.

The Special Revenue – ARRA Economic Stimulus Fund, is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance. Total revenues and expenditures were \$936.25 each during the year.

The Capital Projects – Local Capital Improvement Fund and the Capital Projects – Other Fund have total fund balances of \$335,088.73 and \$349,163.02, respectively, which were restricted for the acquisition, construction, and maintenance of capital assets. The fund balance for the Capital Projects – Local Capital Improvement Fund increased in the current year due to a significant decrease in facilities acquisition and construction and other capital outlay expenditures. The fund balance for the Capital Projects – Other Fund had a net increase, which resulted from the nonexpenditure of Classrooms First appropriations.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$1,047,847.33, or 10.68 percent. At the same time, final appropriations are less than the original budgeted amounts by \$731,390.02. Budget revisions were due primarily to changes in estimated State funding levels, as a result of declining FTE and the FEFP funding, and corresponding adjustments to planned expenditures.

Actual revenues are \$291,334.21 greater than final budgeted amounts while actual expenditures are \$980,653.23, or 10.53 percent greater than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$397,702.29.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$30,159,561.55 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$813,378.35, comprised of \$533,378.35 of installment-purchases and \$280,000 of bonds payable. During the year, retirement of debt amounted to \$233,999.87.

Additional information on the District's long-term debt can be found in Notes 6 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The Jefferson County School Board is in a precarious financial condition, and is facing uncertain economic times. During the 2008-09 fiscal year, the Florida Department of Education (FDOE) appointed a financial emergency board to provide support and financial oversight to the District. The impact of pending budget reductions at the State level remains unknown as this time. In light of uncertain economic times, the District will continually monitor the financial condition. The School Board must continue to be vigilant in monitoring its resources to meet the demands of the public education system. Plans have been developed to contend with the revenue shortfall, including instituting a hiring freeze for all nonessential positions, consolidating bus routes, eliminating educational programs not mandated by FDOE, eliminating nonessential equipment purchases, and reducing all nonessential travel.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jefferson County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Jefferson County District School Board, 575 South Water Street, Monticello, FL 32344.

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash	\$ 846,806.62	\$ 479.00
Accounts Receivable		100,291.00
Due from Other Agencies	443,461.08	
Investments	95,714.38	
Inventories	60,880.82	
Capital Assets:		
Nondepreciable Capital Assets	1,004,889.14	
Depreciable Capital Assets, Net	29,154,672.41	75,213.00
TOTAL ASSETS	\$ 31,606,424.45	\$ 175,983.00
LIABILITIES		
Salaries and Benefits Payable	\$ 254,480.12	\$
Payroll Deductions and Withholdings	312,309.95	
Accounts Payable	181,816.40	34,772.00
Due to Other Agencies	30,818.83	
Due to Management Company		102,142.00
Matured Installment-Purchases Payable	98,103.48	
Matured Interest Payable	25,816.55	
Long-Term Liabilities:		
Portion Due Within One Year	502,032.65	
Portion Due After One Year	1,715,371.96	
Total Liabilities	3,120,749.94	136,914.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	29,346,183.20	75,213.00
Restricted for:		
State Categorical Programs	5,190.92	
Debt Service	7,280.54	
Capital Projects	1,045,731.03	
Fuel Tax Refund	51,169.29	
Unrestricted Deficit	(1,969,880.47)	(36,144.00)
Total Net Assets	28,485,674.51	39,069.00
TOTAL LIABILITIES AND NET ASSETS	\$ 31,606,424.45	\$ 175,983.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 6,258,431.72	\$	\$	\$
Pupil Personnel Services	372,098.47			
Instructional Media Services	101,738.97			
Instruction and Curriculum Development Services	479,789.57			
Instructional Staff Training Services	177,507.85			
Instruction Related Technology	146,663.97			
Board of Education	288,663.77			
General Administration	447,926.52			
School Administration	665,117.22			
Facilities Acquisition and Construction	359,477.72			123,264.63
Fiscal Services	319,799.42			
Food Services	606,275.13	80,121.87	514,718.39	
Central Services	24,306.73			
Pupil Transportation Services	819,926.95	8,661.23	298,366.00	
Operation of Plant	1,093,686.32			
Maintenance of Plant	354,644.90			155,510.00
Administrative Technology Services	76,170.35			
Interest on Long-Term Debt	75,947.38			54,843.39
Unallocated Depreciation Expense	1,082,446.40			
Total Primary Government	\$ 13,750,619.36	\$ 88,783.10	\$ 813,084.39	\$ 333,618.02
Component Unit				
CARE Charter School of Excellence, Inc.	\$ 882,759.00	\$ 0.00	\$ 183,467.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash	\$ 469,088.13	\$ 23,599.59	\$
Due from Other Funds	228,433.55	34,323.09	
Due from Other Agencies	11,101.99	150,491.84	936.25
Investments	56,367.64	7,024.80	
Inventories	39,964.01		
	<u>\$ 804,955.32</u>	<u>\$ 215,439.32</u>	<u>\$ 936.25</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 254,480.12	\$	\$
Payroll Deductions and Withholdings	289,867.99	22,441.96	
Accounts Payable	129,276.74	44,713.76	
Due to Other Funds	681,699.68	146,885.38	936.25
Matured Installment-Purchases Payable			
Matured Interest Payable			
Due to Other Agencies	28,714.50	1,398.22	
	<u>1,384,039.03</u>	<u>215,439.32</u>	<u>936.25</u>
Total Liabilities			
Fund Balances:			
Reserved for State Categorical Programs	5,190.92		
Reserved for Debt Service			
Reserved for Fuel Tax Refund	51,169.29		
Reserved for Investment in Fund B Surplus Funds Trust Fund	53,372.37		
Unreserved, Reported in:			
General Fund	(688,816.29)		
Special Revenue Funds			
Capital Projects Funds			
	<u>(579,083.71)</u>	<u></u>	<u></u>
Total Fund Balances			
	<u>\$ 804,955.32</u>	<u>\$ 215,439.32</u>	<u>\$ 936.25</u>
TOTAL LIABILITIES AND FUND BALANCES			

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 158,406.81	\$ 71,493.93	\$ 124,218.16	\$ 846,806.62
523,552.10	21,413.56	255,653.67	1,063,375.97
	251,305.00	29,626.00	443,461.08
	5,656.64	26,665.30	95,714.38
		20,916.81	60,880.82
<u>\$ 681,958.91</u>	<u>\$ 349,869.13</u>	<u>\$ 457,079.94</u>	<u>\$ 2,510,238.87</u>
\$	\$	\$	\$ 254,480.12
			312,309.95
7,704.32		121.58	181,816.40
215,245.83		18,608.83	1,063,375.97
98,103.48			98,103.48
25,816.55			25,816.55
	706.11		30,818.83
<u>346,870.18</u>	<u>706.11</u>	<u>18,730.41</u>	<u>1,966,721.30</u>
			5,190.92
		7,280.54	7,280.54
			51,169.29
			53,372.37
			(688,816.29)
		69,589.71	69,589.71
335,088.73	349,163.02	361,479.28	1,045,731.03
<u>335,088.73</u>	<u>349,163.02</u>	<u>438,349.53</u>	<u>543,517.57</u>
<u>\$ 681,958.91</u>	<u>\$ 349,869.13</u>	<u>\$ 457,079.94</u>	<u>\$ 2,510,238.87</u>

JEFFERSON 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 \$ 543,517.57

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. 30,159,561.55

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:

Installment-Purchases Payable	\$ 533,378.35	
Bonds Payable	280,000.00	
Postemployment Healthcare Benefits Payable	167,816.00	
Compensated Absences Payable	1,236,210.26	(2,217,404.61)

Total Net Assets - Governmental Activities **\$ 28,485,674.51**

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

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**JEFFERSON 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
Revenues			
Intergovernmental:			
Federal Direct	\$ 60,152.48	\$	\$
Federal Through State and Local	1,413.72	1,638,335.07	936.25
State	5,443,867.80		
Local:			
Property Taxes	3,363,591.57		
Charges for Services - Food Service			
Miscellaneous	185,635.64		
Total Revenues	9,054,661.21	1,638,335.07	936.25
Expenditures			
Current - Education:			
Instruction	5,644,996.88	753,284.44	936.25
Pupil Personnel Services	325,778.45	91,131.18	
Instructional Media Services	124,283.66		
Instruction and Curriculum Development Services	218,668.96	272,559.14	
Instructional Staff Training Services	2,500.81	175,000.87	
Instruction Related Technology	143,792.14		
Board of Education	288,663.77		
General Administration	299,941.34	144,772.39	
School Administration	689,665.55	9,000.00	
Facilities Acquisition and Construction		61,388.86	
Fiscal Services	305,088.77		
Food Services			
Central Services	9,346.45	14,908.65	
Pupil Transportation Services	722,913.26	39,302.04	
Operation of Plant	1,012,250.31		
Maintenance of Plant	369,181.90		
Administrative Technology Services	74,703.10		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	37,500.00	1,376.50	
Other Capital Outlay	7,356.00	75,611.00	
Debt Service:			
Principal			
Interest and Fiscal Charges	16,385.50		
Total Expenditures	10,293,016.85	1,638,335.07	936.25
Excess (Deficiency) of Revenues Over Expenditures	(1,238,355.64)		
Other Financing Sources (Uses)			
Transfers In	276,710.00		
Proceeds from Sale of Capital Assets	182,065.00		
Insurance Loss Recoveries	24,949.31		
Transfers Out			
Total Other Financing Sources (Uses)	483,724.31		
Net Change in Fund Balances	(754,631.33)		
Fund Balances, Beginning	175,547.62		
Fund Balances, Ending	\$ (579,083.71)	\$ 0.00	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		495,687.41	60,152.48
	73,946.38	278,627.64	2,136,372.45
1,043,617.06			5,796,441.82
		80,121.87	4,407,208.63
38,058.47	(4,227.20)	(12,390.85)	80,121.87
<u>1,081,675.53</u>	<u>69,719.18</u>	<u>842,046.07</u>	<u>207,076.06</u>
			6,399,217.57
			416,909.63
			124,283.66
			491,228.10
			177,501.68
			143,792.14
			288,663.77
			444,713.73
298,088.86			698,665.55
			359,477.72
			305,088.77
		600,262.61	600,262.61
			24,255.10
76,798.00			762,215.30
2,586.00			1,089,048.31
			371,767.90
			74,703.10
			38,876.50
96,585.59			179,552.59
193,999.87		40,000.00	233,999.87
43,666.73		15,895.15	75,947.38
<u>711,725.05</u>	<u>656,157.76</u>	<u>13,300,170.98</u>	
369,950.48	69,719.18	185,888.31	(612,797.67)
			276,710.00
		1,700.00	183,765.00
			24,949.31
(121,200.00)		(155,510.00)	(276,710.00)
<u>(121,200.00)</u>	<u>(153,810.00)</u>	<u>208,714.31</u>	
248,750.48	69,719.18	32,078.31	(404,083.36)
86,338.25	279,443.84	406,271.22	947,600.93
<u>\$ 335,088.73</u>	<u>\$ 349,163.02</u>	<u>\$ 438,349.53</u>	<u>\$ 543,517.57</u>

**JEFFERSON 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 \$ (404,083.36)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (977,352.39)

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

	\$	193,999.87	
Installment-Purchases Payable		40,000.00	
Bonds Payable		40,000.00	
			233,999.87

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 amount of compensated absences paid in excess of the amount earned in the current period. 407,618.99

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. (167,816.00)

Change in Net Assets - Governmental Activities \$ (907,632.89)

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>48,753</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>48,753</u>

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

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

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

Based on the application of these criteria, the following component unit is included within the District School Board's reporting entity:

- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the CARE Charter School of Excellence, Inc. (Charter School). The Charter School is a separate, not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Cooperation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Jefferson County District School Board, and is considered a component unit since it is fiscally dependent on the District to levy taxes for its support. An audit of the Charter School for the fiscal year ended June 30, 2009, was conducted by an independent accounting firm and is on file at the District's administrative office.

➤ **Basis of Presentation**

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

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

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are

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

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.

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 – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on installment-purchases.
- Capital Projects – Other Fund – to account for the financial resources generated by various state and local sources, including Classrooms First, Classrooms for Kids, Class Size Reduction Construction, and historical preservation grants.

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and

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

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

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

The CARE Charter School of Excellence, Inc., shown as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

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; and 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. The 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. The investments are reported at fair value, which is amortized cost.

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

➤ **Inventories**

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

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

➤ **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.

Capital assets are depreciated using the weighted average composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	50 years
Improvements Other than Buildings	10 - 35 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments

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

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.

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

The School Board adopted the 2008 tax levy on September 8, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

➤ **Budgetary Information**

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

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

➤ **Expenditures Over Appropriations in Individual Funds**

For the fiscal year ended June 30, 2009, expenditures exceed appropriations for the following individual funds:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
Instruction	\$4,870,394.20	\$5,644,996.88	\$ (774,602.68)
Pupil Personnel Services	290,971.27	325,778.45	(34,807.18)
Instruction and Curriculum Development Services	213,056.32	218,668.96	(5,612.64)
Instructional Staff Training Services	2,240.81	2,500.81	(260.00)
Instruction Related Technology	137,289.55	143,792.14	(6,502.59)
Board of Education	265,796.01	288,663.77	(22,867.76)
Fiscal Services	304,750.55	305,088.77	(338.22)
Pupil Transportation Services	715,490.30	722,913.26	(7,422.96)
Operation of Plant	973,673.23	1,012,250.31	(38,577.08)
Maintenance of Plant	274,454.46	369,181.90	(94,727.44)
Administrative Technology Services	73,964.23	74,703.10	(738.87)
Interest and Fiscal Charges		16,385.50	(16,385.50)
Special Revenue:			
Instruction and Curriculum Development Services	244,021.00	272,559.14	(28,538.14)
General Administration	125,917.88	144,772.39	(18,854.51)
Facilities Acquisition and Construction	56,623.50	61,388.86	(4,765.36)

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

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 \$6,111.79 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$82,322.05 at June 30, 2009, are in SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$7,280.54 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.

**JEFFERSON 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
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 992,276.14	\$	\$	\$ 992,276.14
Construction in Progress	359,776.30		347,163.30	12,613.00
Total Capital Assets Not Being Depreciated	1,352,052.44		347,163.30	1,004,889.14
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	950,959.81		6,377.00	944,582.81
Buildings and Fixed Equipment	35,756,996.88	372,149.90	70,606.16	36,058,540.62
Furniture, Fixtures, and Equipment	2,947,783.54	8,645.34	676,828.85	2,279,600.03
Motor Vehicles	2,081,220.27	95,430.00	413,280.00	1,763,370.27
Audio Visual Materials and Computer Software	345,398.68	36,266.00	53,956.97	327,707.71
Total Capital Assets Being Depreciated	42,082,359.18	512,491.24	1,221,048.98	41,373,801.44
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	929,176.83	11,316.01	6,377.00	934,115.84
Buildings and Fixed Equipment	7,477,588.44	881,129.92	70,606.16	8,288,112.20
Furniture, Fixtures, and Equipment	2,164,726.51	117,223.64	676,828.85	1,605,121.30
Motor Vehicles	1,487,563.81	60,233.93	413,280.00	1,134,517.74
Audio Visual Materials and Computer Software	238,442.09	72,776.83	53,956.97	257,261.95
Total Accumulated Depreciation	12,297,497.68	1,142,680.33	1,221,048.98	12,219,129.03
Total Capital Assets Being Depreciated, Net	29,784,861.50	(630,189.09)		29,154,672.41
Governmental Activities Capital Assets, Net	\$ 31,136,913.94	\$ (630,189.09)	\$ 347,163.30	\$ 30,159,561.55

The classes of property under installment-purchase agreements are presented in Note 6.

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 60,233.93
Unallocated	1,082,446.40
	<u>1,142,680.33</u>
Total Depreciation Expense - Governmental Activities	\$ 1,142,680.33

5. CHANGES IN SHORT-TERM DEBT

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

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note - Operating	\$	\$ 1,645,000.00	\$ 1,645,000.00	\$
Tax Anticipation Note - Capital		120,000.00	120,000.00	
		<u>1,765,000.00</u>	<u>1,765,000.00</u>	
Total Governmental Activities	\$ 0.00	\$ 1,765,000.00	\$ 1,765,000.00	\$ 0.00

Proceeds from the tax anticipation notes were used as a working capital reserve in the General Fund and Capital Projects - Local Capital Improvement Fund as permitted under State and Federal tax laws.

6. INSTALLMENT-PURCHASES PAYABLE

The classes and amounts of property being acquired under installment-purchase agreements are as follows:

	Asset Balance
Relocatable Classrooms	\$ 455,892.00
Modular Buildings	306,123.00
Security/Fire Alarm System	300,414.00
	<u>1,062,429.00</u>
Total	\$ 1,062,429.00

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

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 225,309.14	\$ 203,032.65	\$ 22,276.49
2011	225,309.14	212,486.13	12,823.01
2012	121,575.72	117,859.57	3,716.15
Total Minimum Lease Payments	\$ 572,194.00	\$ 533,378.35	\$ 38,815.65

The stated interest rates range from 4.500 to 4.705 percent.

7. BONDS PAYABLE

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds: Series 2002B	<u>\$ 280,000</u>	4.000 - 5.375	2015

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

➤ **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.

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 54,431.25	\$ 40,000.00	\$ 14,431.25
2011	57,281.25	45,000.00	12,281.25
2012	54,862.50	45,000.00	9,862.50
2013	58,062.50	50,000.00	8,062.50
2014	55,375.00	50,000.00	5,375.00
2015	52,687.50	50,000.00	2,687.50
Total	\$ 332,700.00	\$ 280,000.00	\$ 52,700.00

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchases Payable	\$ 727,378.22	\$	\$ 193,999.87	\$ 533,378.35	\$ 203,032.65
Bonds Payable	320,000.00		40,000.00	280,000.00	40,000.00
Compensated Absences Payable	1,643,829.25	467,445.12	875,064.11	1,236,210.26	259,000.00
Postemployment Healthcare Benefits Payable		339,047.00	171,231.00	167,816.00	
Total Governmental Activities	\$ 2,691,207.47	\$ 806,492.12	\$ 1,280,294.98	\$ 2,217,404.61	\$ 502,032.65

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

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

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	\$ 228,433.55	\$ 681,699.68
Special Revenue:		
Other	34,323.09	146,885.38
ARRA		936.25
Capital Projects:		
Local Capital Improvement	523,552.10	215,245.83
Other	21,413.56	
Nonmajor Governmental	255,653.67	18,608.83
Total	\$ 1,063,375.97	\$ 1,063,375.97

The receivables and payables generally occurred during the normal course of District operations except that amounts due from the General Fund were primarily for temporary loans. 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	\$ 276,710.00	\$
Capital Projects:		
Local Capital Improvement		121,200.00
Nonmajor Governmental		155,510.00
Total	\$ 276,710.00	\$ 276,710.00

The transfers were primarily for facilities maintenance work.

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

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

reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$141,134.56 at June 30, 2009.

Additionally, the District has purchase orders outstanding for projects accounted for in the General Fund totaling \$28,023.37, at June 30, 2009. Since these outstanding purchase orders exceed the available fund balance in the General Fund, an encumbrance is not shown on the financial statements for this amount.

11. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$ 3,408,667.00
Categorical Educational Programs:	
Class Size Reduction	1,057,165.00
Transportation	298,366.00
Instructional Materials	104,828.00
Other	55,597.68
Gross Receipts Tax (Public Education Capital Outlay)	185,136.00
Workforce Development Program	182,802.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	75,172.17
Classrooms First	70,741.00
Miscellaneous	<u>357,966.97</u>
 Total	 <u><u>\$ 5,796,441.82</u></u>

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

12. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.922	\$ 3,057,481.10
Basic Discretionary Local Effort	0.498	309,350.99
Supplemental Discretionary Local Effort	0.187	116,161.92
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.750</u>	<u>1,087,076.78</u>
 Total	 <u><u>7.357</u></u>	 <u><u>\$4,570,070.79</u></u>

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

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 and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 6 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$59,213.02.

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

FRS Retirement Contribution Rates

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

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
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 \$740,629.39, \$752,499.99, and \$667,274.12, 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 (GASB) 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 \$6,062,490 at the July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

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

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

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

Funding Policy. Contribution requirements of the District and plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 82 retirees received postemployment healthcare benefits. The District provided required contributions of \$171,231 toward the annual OPEB cost. Plan members receiving benefits contributed \$302,756 through their required contributions ranging from \$180 to \$373 per month for retiree-only coverage, and from \$360 to \$746 for retiree and spouse coverage, depending on Medicare eligibility.

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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

Description	Amount
Normal Cost (service cost for one year)	\$ 137,321
Amortization of Unfunded Actuarial Accrued Liability	192,971
Interest on Normal Cost and Amortization	8,755
Annual Required Contribution	339,047
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	339,047
Annual OPEB Cost (Expense)	339,047
Contribution Toward the OPEB Cost	(171,231)
Increase in Net OPEB Obligation	167,816
Net OPEB Obligation, Beginning of Year	167,816
Net OPEB Obligation, End of Year	\$ 167,816

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

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 2008-09	\$ 339,047	50.50%	\$ 0 167,816

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$6,062,490, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,062,490 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$4,859,518 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 124.75 percent.

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

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

The District’s initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the District’s 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an initial annual healthcare cost trend rate of 5 percent beginning January 1, 2008, rising to 9 percent the following year, before falling 0.5 percent per year to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

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

15. RISK MANAGEMENT PROGRAMS

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

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 are being provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

16. OTHER LOSS CONTINGENCIES

The District received financial assistance from various Federal agencies in the form of grants and appropriations during the 2008-09 fiscal year. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination either directly by the agency itself, or indirectly by the grants management department of the Florida Department of Education if they are acting as fiscal agent and compliance monitor. Any disallowed claims based on the OMB's *Circular A-133 Compliance Supplement* could become a liability of the General Fund. The District has unresolved questioned costs from the 2005-06 and 2006-07 fiscal years totaling \$144,100.18, and \$102,537.20, respectively. If these questioned costs noted by the auditor were disallowed by the applicable oversight agencies, these amounts would have a material effect on the overall financial position of the District.

17. LITIGATION

The District is in dispute with the Jefferson County Education Association (JCEA) regarding the District's payroll practices. The JCEA alleges that the District improperly withheld a pay and step increase, contrary to its contract agreement with the School Board. The District is contesting this matter and believes an unfavorable outcome is unlikely; however, should it be unsuccessful, the District estimates a potential loss ranging from between \$0 to \$95,000.

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

18. SUBSEQUENT EVENTS

On June 22, 2009, the Board obtained two revolving lines-of-credit in the amounts of \$2,000,000 (operating) and \$850,000 (capital) from Farmers and Merchant Bank, at a 3.55 percent fixed rate of interest. Subsequent to June 30, 2009, the District borrowed \$1,825,000 from the operating line-of-credit to fund District operations until the receipt of tax revenue in December 2009. On January 15, 2010, the District repaid the line-of-credit and closed the account.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 30,000.00	\$ 55,000.00	\$ 60,152.48	\$ 5,152.48
Federal Through State and Local State	160,000.00	75,000.00	1,413.72	(73,586.28)
	5,928,752.81	5,489,925.00	5,443,867.80	(46,057.20)
Local:				
Property Taxes	3,362,421.52	2,813,402.00	3,363,591.57	550,189.57
Miscellaneous	330,000.00	330,000.00	185,635.64	(144,364.36)
Total Revenues	9,811,174.33	8,763,327.00	9,054,661.21	291,334.21
Expenditures				
Current - Education:				
Instruction	5,510,129.58	4,870,394.20	5,644,996.88	(774,602.68)
Pupil Personnel Services	208,646.00	290,971.27	325,778.45	(34,807.18)
Instructional Media Services	111,006.00	125,116.90	124,283.66	833.24
Instruction and Curriculum Development Services	230,951.00	213,056.32	218,668.96	(5,612.64)
Instructional Staff Training Services	4,500.00	2,240.81	2,500.81	(260.00)
Instruction Related Technology	150,921.00	137,289.55	143,792.14	(6,502.59)
Board of Education	230,285.00	265,796.01	288,663.77	(22,867.76)
General Administration	321,638.06	305,819.29	299,941.34	5,877.95
School Administration	684,085.00	693,195.62	689,665.55	3,530.07
Facilities Acquisition and Construction				
Fiscal Services	306,555.00	304,750.55	305,088.77	(338.22)
Food Services				
Central Services		21,294.88	9,346.45	11,948.43
Pupil Transportation Services	908,451.00	715,490.30	722,913.26	(7,422.96)
Operation of Plant	987,589.00	973,673.23	1,012,250.31	(38,577.08)
Maintenance of Plant	311,172.00	274,454.46	369,181.90	(94,727.44)
Administrative Technology Services	77,825.00	73,964.23	74,703.10	(738.87)
Fixed Capital Outlay:				
Facilities Acquisition and Construction		37,500.00	37,500.00	
Other Capital Outlay		7,356.00	7,356.00	
Debt Service:				
Interest and Fiscal Charges			16,385.50	(16,385.50)
Total Expenditures	10,043,753.64	9,312,363.62	10,293,016.85	(980,653.23)
Deficiency of Revenues Under Expenditures	(232,579.31)	(549,036.62)	(1,238,355.64)	(689,319.02)
Other Financing Sources (Uses)				
Transfers In	200,000.00	244,000.00	276,710.00	32,710.00
Proceeds from Sale of Capital Assets		5,800.00	182,065.00	176,265.00
Insurance Loss Recoveries			24,949.31	24,949.31
Transfers Out	(358,500.00)	(853,097.00)		853,097.00
Total Other Financing Sources (Uses)	(158,500.00)	(603,297.00)	483,724.31	1,087,021.31
Net Change in Fund Balances	(391,079.31)	(1,152,333.62)	(754,631.33)	397,702.29
Fund Balances, Beginning	944,059.58	175,547.62	175,547.62	
Fund Balances, Ending	\$ 552,980.27	\$ (976,786.00)	\$ (579,083.71)	\$ 397,702.29

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)
\$ 1,390,067.00	\$ 2,175,132.24	\$ 1,638,335.07	\$ (536,797.17)	\$	\$ 321,812.00	\$ 936.25	\$ (320,875.75)
1,390,067.00	2,175,132.24	1,638,335.07	(536,797.17)		321,812.00	936.25	(320,875.75)
649,476.68	1,201,757.12	753,284.44	448,472.68		11,254.00	936.25	10,317.75
106,167.00	117,094.15	91,131.18	25,962.97		136,500.00		136,500.00
208,356.00	244,021.00	272,559.14	(28,538.14)		83,892.00		83,892.00
283,244.00	254,688.48	175,000.87	79,687.61		38,000.00		38,000.00
					4,000.00		4,000.00
103,983.00	125,917.88	144,772.39	(18,854.51)		20,033.00		20,033.00
	13,674.61	9,000.00	4,674.61				
	56,623.50	61,388.86	(4,765.36)				
					16,480.00		16,480.00
5,325.00	42,263.00	14,908.65	27,354.35		3,350.00		3,350.00
45,494.00	42,125.00	39,302.04	2,822.96		8,303.00		8,303.00
	1,376.50	1,376.50					
	75,611.00	75,611.00					
1,402,045.68	2,175,152.24	1,638,335.07	536,817.17		321,812.00	936.25	320,875.75
(11,978.68)	(20.00)		20.00				
(11,978.68)	(20.00)		20.00				
11,978.68	11,978.68		(11,978.68)				
\$ 0.00	\$ 11,958.68	\$ 0.00	\$ (11,958.68)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]			
October 1, 2007	\$	0 \$	6,062,490	\$	6,062,490	0.00%	\$	4,859,518	124.75%

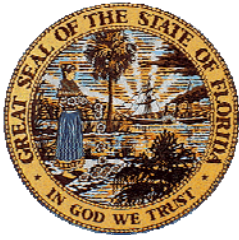
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JEFFERSON 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)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 143,515.73	\$
National School Lunch Program	10.555	300, 350	310,844.68	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	47,056.00	
Total United States Department of Agriculture			501,416.41	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	382,100.13	34,859.76
Special Education - Preschool Grants	84.173	267	45,231.73	
Leon County District School Board:				
Special Education - Grants to States	84.027	None	13,725.00	
Total Special Education Cluster			441,056.86	34,859.76
Florida Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	780,029.19	9,265.43
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	223	936.25	
Total Title I, Part A Cluster			780,965.44	9,265.43
Adult Education - Basic Grants to States				
	84.002	191	39,022.83	
Career and Technical Education - Basic Grants to States				
	84.048	161	71,904.34	
Charter Schools				
	84.282	298	174,201.59	174,201.59
Reading First State Grants				
	84.357	211	44,953.27	
Rural Education				
	84.358	110	15,528.57	
Improving Teacher Quality State Grants				
	84.367	224	85,363.42	
Total United States Department of Education			1,652,996.32	218,326.78
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	60,152.48	
Total Expenditures of Federal Awards			\$ 2,214,565.21	\$ 218,326.78

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

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.



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

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

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

Internal Control Over Financial Reporting

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

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

We consider Financial Statement Finding Nos. 1 through 4, which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be significant deficiencies 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, of the significant deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we consider Financial Statement Finding Nos. 1 and 2 to be material weaknesses.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in Financial Statement Finding No. 2 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

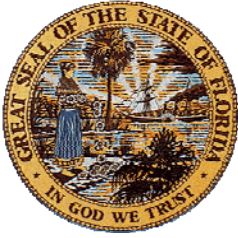
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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
March 16, 2010



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

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

Compliance

We have audited the Jefferson 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
March 16, 2010

**JEFFERSON 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)? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB *Circular A-133*? Yes

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); and Charter Schools (CFDA No. 84.282)

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

Auditee qualified as low-risk auditee? No

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

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

Finding No. 1: Financial Condition

In governmental funds, reserve accounts are used to indicate the portion of fund balance that is restricted to specific purposes and not available for general appropriation by the Board, while the unreserved fund balance is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The unreserved portion represents the amount that can be used with the most flexibility for emergencies and unforeseen situations. In addition, Section 1011.051, Florida Statutes, requires that the District maintain an unreserved fund balance in the General Fund that is sufficient to address normal contingencies. If at any time this balance is projected to fall below 3 percent of projected General Fund revenues, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE). Further, if the balance is projected to fall below 2 percent of projected General Fund revenues, the Board should have a reasonable plan to avoid a financial emergency, or FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency. Also, Section 218.503(3), Florida Statutes, provides that the Commissioner of Education may determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition. If State assistance is needed, the district school board is considered to be in a state of financial emergency.

During the 2008-09 fiscal year, the District continued to experience a decline in its financial condition with the General Fund unreserved fund balance decreasing by \$717,018.10, from \$28,201.81 to a deficit of \$688,816.29. A summary of the unreserved fund balance for the District’s General Fund for the past three fiscal years is shown below:

Fiscal Year Ended June 30	Total Fund Balance	Unreserved Fund Balance	Percent of General Fund Revenues
2007	\$ 883,287.34	\$ 715,825.75	6.99%
2008	175,547.62	28,201.81	0.28%
2009	(579,083.71)	(688,816.29)	(7.61)%

In our report No. 2009-094, dated January 5, 2009, we noted a significant decline in the unreserved fund balance, and recommended that the Board and Superintendent take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund. The District obtained assistance from the Florida Association of District School Superintendents to prepare a financial recovery plan and on March 9, 2009, the District submitted a letter notifying FDOE that the unreserved fund balance in the General Fund was projected to fall below 2 percent of projected General Fund revenues and the Board approved the recovery plan. The plan included measures such as the elimination of certain instructional, noninstructional, and administrative positions, reduced work hours for

noninstructional positions, a cap on the District-paid health supplement, the sale of land, and decreased bus routes. Pursuant to Section 1011.051, Florida Statutes, the District notified FDOE on April 8, 2009, of a projected unreserved General Fund fund balance deficit of approximately \$500,000 at June 30, 2009. Further, on April 22, 2009, FDOE appointed a three member financial emergency board to provide support and financial oversight to the District, pursuant to Section 218.503(3), Florida Statutes.

Such deficit financial position requires commitment of future resources to meet current obligations. Failure to reverse the decline of the District's financial position could culminate in an inability on the part of the District to meet current fiscal obligations. The deficiencies noted in Finding No. 2, regarding financial monitoring procedures have not been conducive to effective management control over the District's resources and may have contributed to the fund balance deficits. Additional factors to further impact this financial condition are as follows:

- The District may be required to repay combined net questioned costs of \$144,100.18, as noted in Federal Awards Finding Nos. 2, 3, 4, and 5 in our report No. 2007-121;
- Additional payments could be required for unresolved questioned costs of \$102,537.20, as noted in Federal Awards Finding No. 1 in our report No. 2008-076.
- We also noted the District had not filed the required reports to receive reimbursement for administrative Medicaid costs for the 2007-2008 and 2008-2009 fiscal years. In comparison, the District recognized Medicaid revenue of approximately \$156,000 during the 2006-07 fiscal year.

The Board, with assistance from the financial emergency board, approved the District's 2009-2010 fiscal year operating budget, which anticipates a total fund balance of approximately \$400,000 in the General Fund at June 30, 2010.

Recommendation: **The School Board, the Financial Emergency Board, and the Superintendent should continue to closely monitor the District's budget and take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund.**

Finding No. 2: Budgetary Controls and Financial Monitoring

The process for adopting and amending the budget affords a governmental entity with a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources. If the budget is not properly monitored and amended to meet changing financial circumstances, there is an increased risk that an entity's expenditures will exceed available resources. Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized.

Section 1011.06, Florida Statutes, provides that the Board may establish policies that allow expenditures to exceed the amount budgeted per function, provided that the Board approves the expenditure and amends the budget within timelines established by the policies. Pursuant to this statute, the Board adopted a policy allowing expenditures to exceed the amount budgeted within a fund at the function level, provided that the Board approves the expenditures and amends the budget within 35 days of the date in which the expenditures were incurred. The policy also prohibits Board approval of budget amendments after the due date of the annual financial report for the year. In addition, State Board of Education Rule 6A-1.008, Florida Administrative Code, requires that monthly financial statements be prepared and submitted to the Board. Board Policy 6.107, *Monthly Financial Statement*, provides that the Superintendent shall submit to the Board each month a financial statement in a form approved by the Board, and shall include a cumulative report to date of all receipts and expenditures for the fiscal year.

Our review disclosed that the original budget was prepared and approved in accordance with applicable laws and rules; however, improvements are needed in budgetary controls and compliance and in the monthly financial reporting process, as discussed below.

- The General Fund's budgeted July 1, 2008, fund balance, totaled approximately \$940,000, in the original budget adopted by the Board, although the Board-approved final budget and actual beginning fund balance as of June 30, 2008, totaled approximately \$175,000. While the Board eventually approved budget amendments during the 2008-09 fiscal year to reduce the budgeted beginning fund balance of the General Fund, using reasonable projections of beginning fund balance budget amounts may help the District in monitoring its activities and related costs during the budget year.
- Contrary to the Board policy, the Board did not approve the final budget amounts presented in the District's annual financial report. Consequently, to determine the final budget amounts, we added amounts from the original budget and the Board-approved budget amendments. After this process, we noted overexpenditures, totaling \$1,002,842.92, in 12 functional expenditure categories of the General Fund, and totaling \$52,158.01, in 3 functional expenditure categories of the Special Revenue – Other Fund.
- Contrary to State Board of Education Rule 6A-1.008, Florida Administrative Code, during the majority of the audit period the Board was not, of record, provided monthly financial statements. District personnel indicated that the Board conducted budget workshops in January and March 2009, and monthly financial reporting to the Board began in February 2009 for the January 2009 financial statements and continued through the remainder of the fiscal year. However, District records did not evidence that monthly financial statements were provided to the Board prior to April 2009. Without monthly financial statements that clearly present the financial condition of the District, especially in a time of financial crisis, Board members may have limited understanding of the financial status of the District, which could lead to instances of financial mismanagement, authorizing purchases when funds are not available, and not identifying or remedying critical budget shortfalls in a timely manner. Monthly financial statements that provide practical and understandable summary financial information, such as total revenues and expenditures by fund, projected and revised student enrollment counts and effects of such revisions, and current anticipated ending fund balance amounts, would allow the Board to timely monitor the financial condition of the District and provide information for financial decision-making.

The above occurred because the Chief Financial Officer was relatively new. The noted deficiencies in the District's reporting and budgetary procedures have not been conducive to effective management control over the District's resources and may have contributed to the fund balance deficit in the General Fund, as noted in Finding No. 1.

Recommendation: Procedures should be enhanced to ensure that expenditures are limited to budgeted amounts as required by State law and rules. Also, the District should provide accurate monthly financial information to the Board in a timely manner, so that the Board has practical and understandable summary information for monitoring the District's overall financial condition.

SIGNIFICANT DEFICIENCIES

Finding No. 3: Financial Reporting

Our review of the District’s 2008-09 fiscal year annual financial report, as presented for audit, disclosed certain errors in financial reporting that resulted from control deficiencies. For example, the District places cash balances with the State Board of Administration (SBA) for investment. In an effort to allocate its SBA investment activities, such as investment losses, among the capital projects subfunds, the District mistakenly posted certain entries to the general ledger, resulting in an overstatement of local revenue and understatement of due to other funds, totaling \$64,600.76 each, in the Capital Project – Local Capital Improvement Fund. The errors occurred mainly because no one adequately reviewed the general ledger to ensure that District personnel accurately allocated investment activities to the proper funds. Properly reporting such transactions may help financial statement users understand the performance of the District’s investments. We extended our audit procedures to determine the adjustments necessary, and District staff accepted these adjustments. A similar finding was noted in our report No. 2009-094.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure that account balances and transactions are properly reported on the financial statements.

Finding No. 4: Personnel and Payroll Administration

The District should enhance its procedures to ensure effective controls in the personnel and payroll departments. We noted that the Payroll Specialist and an accounting clerk had the ability to update files within the payroll system to add employment contracts to established employees, make changes to employee rates of pay, and enter termination information, and no one independently verified the validity of payroll changes. Appropriate internal control practices dictate that these types of updates should generally be performed by individuals independent of the payroll and finance functions, or adequate compensating controls, such as independent verification of payroll changes, should be performed. While our audit tests did not disclose any errors or fraud involving payroll transactions, under these circumstances, there is an increased risk that improper payroll payments could occur and not be timely detected. In response to our inquires, District personnel indicated that, as a compensating control, edit listings containing new employee additions and payroll changes will be periodically compared to source documents by the Chief Financial Officer. Similar deficiencies were noted in previous reports, most recently our report No. 2009-094.

Recommendation: The District should establish procedures to separate the duties associated with payroll and personnel responsibilities, or ensure that payroll update reports are reviewed and approved by individuals independent of the payroll process.

ADDITIONAL MATTERS

Finding No. 5: Collection of Social Security Numbers

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

personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

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

During the 2008-09 fiscal year, the District obtained SSNs in certain instances such as on employment applications for individuals who personally applied at the Human Resource Office, and on certain student forms, such as enrollment applications, completed by parents or legal guardians. However, because of oversights, the District did not provide individuals with written statements describing the purposes for obtaining these SSNs. Subsequent to our inquiry, the District updated the employment application to describe the purpose for collecting the SSN. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. A similar finding was noted in our report No. 2009-094.

Recommendation: **The District should continue its efforts to ensure compliance with Section 119.071(5), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.**

Finding No. 6: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, states that from funds provided in Specific Appropriation 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours state that institutions must develop a procedure for withdrawing students for nonattendance and the that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule.

The District reported 23,116 adult general education hours to FDOE for the 2008-09 fiscal year. Our review of the hours reported for 10 students enrolled in four adult general education classes disclosed exceptions in the enrollment reporting as follows:

- The District mistakenly overreported 1,045 enrollment hours for six students that had six or more consecutive absences.
- Due to posting the incorrect number of class days in the master class schedule, the District underreported 176 enrollment hours for four students.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important such data be submitted correctly. A similar finding was noted in our report No. 2009-094.

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

Finding No. 7: Student Diplomas

Improvements could be made in controls over student diplomas. For the 2008-09 fiscal year, Jefferson County Middle/High School had 39 graduates who received diplomas. Our review of student graduation and diploma processing disclosed the following:

- Due to changes in personnel and the lack of written procedures, the District was unable to demonstrate improvements in its internal controls over the ordering and receipt of diplomas at Jefferson County Middle/High School. In our report No. 2009-094, we noted that the principal's secretary or the bookkeeper submitted orders to the printing company to print diplomas; received the completed diplomas from the printing company; and retained possession of the completed diplomas until graduation at which time the diplomas were given to other School personnel for distribution. While the guidance counselor reviewed the completed diplomas prior to distribution, the unopened box of diplomas was provided directly to the employee ordering the diplomas. In these circumstances, one employee had control over the ordering and receipt of high school diplomas such that errors or fraud could occur and not be detected in a timely manner.
- The written agreement in place with the printing company did not indicate the individual authorized to order diplomas. This deficiency occurred, in part, because personnel did not understand the importance of establishing these responsibilities in an agreement. Without a written agreement to limit employees who can order diplomas, there is an increased risk that diplomas may be fraudulently used.

Recommendation: The District should strengthen internal controls over diploma processing to ensure that student diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation.

Finding No. 8: Information Technology - Security Awareness Training Program

The District had not implemented a comprehensive security awareness training program to apprise new employees of, or reemphasize to current employees, the importance of preserving the integrity, confidentiality, and availability of data and information technology (IT) resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District did have a Terms and Conditions Agreement that covered, among other things, appropriate Internet usage, e-mail messages, security of network resources, and the confidentiality of passwords, the agreement was only designed for and signed by instructional personnel. Additionally, the District did not have a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities, including acceptable and prohibited methods for storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of confidential information. A comprehensive security awareness training program would decrease the risk that the District's IT resources may be unintentionally compromised by employees while performing their assigned duties.

The District has stated that all staff will be required to sign a Terms and Conditions Agreement on an annual basis beginning in the 2009-10 fiscal year.

Recommendation: To minimize misuse of IT resources, the District should promote security awareness through a comprehensive training program to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees to acknowledge their understanding and acceptance of security-related responsibilities on an annual basis.

Finding No. 9: Information Technology – Written Policies and Procedures

Each IT function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. As similarly noted in our report No. 2009-094, the District still lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), administrator IDs, administrator passwords, guest accounts, and security devices (such as firewalls and routers).
- Changing or deleting vendor-supplied passwords upon installation.
- Resetting user passwords, including positive identification of the user.
- Prohibiting administrator rights on the workstations of end users.
- Revoking access privileges of former or reassigned employees, consultants, and vendors.
- Removing confidential information from consultant and vendor equipment.
- Defining responsibilities, access privileges, and activities for network, database, and security administrators and help desk staff.

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

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

Finding No. 10: Information Technology – Disaster Recovery Plan

As similarly noted in our report No. 2009-094, the District could improve its IT disaster recovery plan. The Board entered into a reciprocal disaster recovery agreement with Panhandle Area Educational Consortium (PAEC) member districts whereby member districts agreed to serve as alternative processing sites for each other in the event of a disaster that interrupts critical District IT operations. Additionally, the District had established a Disaster Recovery Plan (Plan) and assigned responsibilities for carrying out disaster recovery activities to particular individuals. However, the District had not tested the Plan, it was not comprehensive, and it did not include the following key recovery control elements:

- Prioritization of critical operations and data;
- Provision for backup personnel; and
- Documentation of procedures to follow when the Northwest Regional Data Center is inoperable.

Disaster recovery plans are an important element of effective internal control over IT operations. When a disaster recovery plan does not include key recovery control elements and has not been tested for feasibility or weaknesses, there is an increased risk that restoration of IT operations may be delayed in the event of a disaster.

Recommendation: The District should enhance its Disaster Recovery Plan (Plan) to include a prioritized list of critical operations and data; to include a list of backup personnel so that the Plan is not dependent upon any one individual; to provide contingencies for service interruptions with Northwest Regional Data Center; and should test its effectiveness annually.

Finding No. 11: Information Technology – Security Controls

Security controls over the District’s resources are intended to protect the confidentiality, integrity, and availability of data and IT resources from unauthorized users. Our audit disclosed certain security controls in the areas of network security and application access and authorization that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the District’s data and IT resources. However, we have notified appropriate District management of the specific issues. Without appropriate security controls, the confidentiality, integrity and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction. A similar finding was noted in our report No. 2009-094.

Recommendation: The District should implement appropriate security controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

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

Pass-Through Entity: Florida Department of Education

Programs: ARRA: Child Nutrition Discretionary Grants, Limited Availability (CFDA No. 10.579); Education Technology State Grants, Recovery Act (CFDA No. 84.386); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education - Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); and SFSF – Government Services, Recovery Act (CFDA No. 84.397)

Finding Type: Noncompliance

Questioned Costs: Not applicable

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

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

Grant (CFDA Number)	Award Amount
ARRA – Child Nutrition Discretionary (10.579)	\$ 16,480
ARRA - Education Technology State Grants, Recovery Act (84.386)	9,303.69
ARRA - Education for Homeless Children and Youth, Recovery Act (84.387)	10,160
ARRA – Title I (84.389)	249,219
ARRA – Special Education (84.391)	341,500
ARRA – Special Education Preschool (84.392)	10,754
ARRA – State Fiscal Stabilization (84.394)	332,169
ARRA – State Fiscal Stabilization (84.397)	24,142

District records indicated that the award periods for these grants started on dates ranging from April 2009 through July 2009, and the grant periods ended on dates ranging from August 2009 through September 2011. Our review of District records and inquiry with District personnel disclosed that the District designated the Chief Financial Officer to monitor the District’s ARRA Federal reporting requirements, and in December 2009 registered in the CCR system. Without timely registration in the CCR system, the District’s may be limited in its eligibility to receive ARRA Federal funds.

Recommendation: The District should establish procedures to ensure timely registration at the Central Contractor Registration Web site on an annual basis as required.

District Contact Person: Marcia Willis, Chief Financial Officer

<p>Federal Awards Finding No. 2: Federal Agency: United States Department of Education Pass-Through Entity: Florida Department of Education Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010) Finding Type: Noncompliance Questioned Costs: Not Applicable</p>

Procurement – Suspension and Debarment, and Contract Provisions. United States Office of Management and Budget (OMB) *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 verify a vendor’s suspension and debarment status by checking the *List of Parties Excluded from Federal Procurement or Nonprocurement Programs* issued by the General Services Administration.

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.

We reviewed documentation to support all Title I program vendor payments in excess of \$25,000, to determine whether the District verified that vendors were not suspended or debarred from receiving Federal funds, and whether the written contracts supporting the expenditures contained the Federally-required provisions. However, District records did not evidence that the District verified that two vendors, who were paid approximately \$37,500 and \$36,520, respectively, were not suspended or debarred from receiving Federal moneys, and the contracts with these vendors excluded the above Federally-required language.

While we verified that the vendors were not included on *Excluded Parties List System*, audit 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.

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

District Contact Person: Marcia Willis, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

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. 2009-094.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*JEFFERSON 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
2007-121 (2)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) / Allowable Costs/Cost Principles and Procurement	The District paid amounts in excess of those provided for in a psychological services contract; paid for an evaluation of a gifted student; and made some consultation services payments, which were initially unsupported, all of which resulted in questioned costs of \$875.	Partially corrected	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) / Allowable Costs/Cost Principles and Procurement	The District paid another local educational agency for special education services pursuant to an interlocal agreement. Some of these amounts were not adequately supported, resulting in questioned costs of \$21,663.54.	Partially corrected	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Allowable Costs/Cost Principles	Salaries and benefits of two employees were paid from program funds absent documentation required by OMB <i>Circular A-87</i> . Based upon duties performed by the employees, \$12,153.64 represented questioned costs.	Partially corrected	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (5)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Matching, Level of Effort, Earmarking	The District did not document that \$82,056 of Title I funds earmarked for supplemental educational services (SES) was expended for that purpose. Additionally, \$27,352 earmarked for these services was budgeted to be provided to SES providers that were not State-approved, resulting in total questioned costs of \$109,408.	Partially corrected	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (6)	Arts in Education (CFDA No. 84.351) / Allowable Costs/Cost Principles, Procurement, and Subrecipient Monitoring	The District made payments of \$68,394.25 to two contractors, one of which was a subrecipient, without verifying that deliverables were met. Additionally, the District did not retain budgets for the second and third years of the three-year grant.	Corrected	
2007-121 (7)	Homeland Security Grant Program (CFDA No. 97.067) / Allowable Costs/Cost Principles	The District received a grant in the amount of \$35,227, but only documented \$24,262.21 in eligible expenditures, resulting in questioned costs of \$10,964.79.	Does not warrant further action	Two years have passed since the audit report in which the finding occurred was submitted to the Federal clearinghouse, the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding, and a management decision was not issued.
2008-076 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) / Allowable Costs/Cost Principles	Salaries and benefits of several employees, whose job functions either wholly or partially did not benefit Special Education Cluster programs, were paid from program funds. Based upon duties performed by the employees, \$102,537.20 represented questioned costs.	Partially corrected	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2008-076 (3) 2008-076 (4) 2009-094 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173) / Procurement-Suspension and Debarment, and Contract Provisions	Enhancements were needed in the District's procedures to determine whether vendors were suspended or debarred. In addition, enhancements were needed in the District's procedures to ensure that all contracts involving Federal grants include the required provisions.	Not corrected	

EXHIBIT A
MANAGEMENT'S RESPONSE

BILL BRUMFIELD
Superintendent of Schools
Phone: 850-342-0100
Suncom: 297-0100
Fax: 850-342-0108

Jefferson County School Board

1490 W. Washington Street
MONTICELLO, FLORIDA 32344



Mr. David W. Martin, CPA
Auditor General
Office of the Auditor General
111 West Madison Street
Tallahassee, FL 32399
March 8, 2010

Dear Mr. Martin,

Attached is Jefferson County School District's response to the Preliminary and Tentative Audit Findings for the Fiscal Year ended June 30, 2009.

We appreciate the thoughtful and thorough review that you did of our District. As you can see from our responses, we have already taken some steps to correct or enhance the way we do business, based on your findings, and we will continue to do so.

Sincerely,

William E. Brumfield
Superintendent of Schools

WEB:mw

Enclosures

BOARD MEMBERS

DISTRICT 1
EDWARD W. VOLLERTSEN

DISTRICT 2
SANDRA SAUNDERS

DISTRICT 3
SHIRLEY A. WASHINGTON

DISTRICT 4
MARIANNE ARBULLU

DISTRICT 5
CHARLES BOLAND

Jefferson County School District

Response to Preliminary Audit Findings

EXECUTIVE SUMMARY

MATERIAL WEAKNESSES

Finding No. 1: The District was in a state of financial emergency and continued to experience a decline in its financial condition during the 2008-2009 fiscal year. At June 30, 2009, the General Fund unreserved fund balance was a deficit \$688,816.29, and total fund balance was a deficit \$579,083.71.

Response: The District concurs with Finding No. 1. After properly notifying DOE that our fund balance was below 2%, DOE appointed a Financial Oversight Board. Operating under that Board's oversight, the District developed a Financial Recovery Plan, and continues to report to and meet with the Oversight Board to track the District's progress towards financial recovery and to determine changes to our plan made necessary by changes in funding, unexpected expenses, or unrealized budgeted revenues. Some of the steps taken to turn this situation around include a reduction in staff, sale of property, rerouting of buses to decrease number of routes, limited approval for travel, elimination of District cell phones, and other cutbacks in expenditures. The District anticipates ending the current fiscal year with a positive fund balance in its General Fund.

Finding # 2: Enhancements could be made in the Board's budgetary process and the presentation of required monthly financial statements to the Board.

Response: The District concurs with Finding #2, and is working to enhance the Budgetary process. Monthly reports comparing budgeted amount and actual expenditures to date are produced and distributed to all senior district staff and on-site administrators for review. General Fund budget amendments are being done on a more timely basis than what was done in the previous year. The District is also working with its consortium, PAEC, to automate parts of the purchase order process, which will provide a better tool for tracking. Because of the financial condition, budgeting was centralized for FY 2009/2010; however, the District plans to return to a more cost centered budget for FY 2010/2011 and spread the responsibility for tracking budgets.

Additionally, since April, 2009, the District has provided monthly reports to the Board. The monthly reports show, at a minimum, the year-to-date revenues and expenditures for each fund compared to budgeted amounts. The monthly DOE-required reports showing a projection of annual revenues and expenditures and year-end fund balance are also provided to the board, as well as any other reports provided to the Financial Oversight Board. Other reports, such as collections on local tax revenues, tracking reports on the Tax Anticipation Notes are provided as they are available. Reports on projected and revised student enrollment counts and the effects of such revisions will be provided in the future.

SIGNIFICANT DEFICIENCIES

Finding #3: Improvements are needed to ensure account balances and transactions are properly reported on the financial statements.

Response: The District concurs with Finding No. 3, and will more carefully review the general ledger transactions to avoid accidental erroneous postings of transactions.

Finding No. 4: Enhancements could be made to ensure effective controls in the personnel and payroll departments.

Response: The District concurs with Finding No. 4. Because of a very limited number of staff, the District cannot separate duties to the extent that would be ideal. As a compensating control, system reports showing new employee additions and payroll changes are periodically reviewed by staff in the Human Resources area. In addition, the Finance Officer periodically reviews a change verification report (TERMS HAB06) which shows all changes to payroll information.

ADDITIONAL MATTERS

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

Response: The District concurs with Finding No. 5. The Jefferson County School District will continue its efforts to ensure compliance with section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers. This notification will be given to applicants, employees, and parents of school aged children at the time of collection of social security numbers. The notification will identify the various usages of the social security numbers and the strictness of confidentiality associated with the collection process. Copies of the notification will be available at the district office and all school sites for distribution.

Finding No. 6: Improvements were needed in controls over the reporting of instructional contact hours to the Florida Department of Education.

Response: The District concurs with Finding No. 6. The Jefferson County School District will continue to enhance its controls over the accuracy of its attendance records and the reporting of instructional contact hours for adult general education courses to the Florida Department of Education. Procedures will be established by the District regarding enrollment, attendance and reporting of registered students in the adult general education courses. The procedures will provide for a monthly monitoring process to ensure data that is to be submitted to the Florida Department of Education is correct prior to submission.

Finding No. 7: Improvements are needed to enhance controls over high school diplomas.

Response: The District concurs with Finding No. 7. The District will strengthen internal controls over diploma processing to ensure that student diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation. Procedures will be established in the written contract with the printing company that would identify the roles and responsibilities of school site personnel regarding the preparation for ordering, receipt of and distribution of student diplomas. The guidance counselor will be responsible for identifying those students eligible to receive a diploma based on the academic standing and course completion. A list of these students will then be forwarded to the school's secretary, who will be responsible for placing the order with the printing company. The order will be placed with the bookkeeper identified as the recipient of the diplomas upon delivery at the school. The bookkeeper will secure the diplomas in the school vault until such time the guidance counselor and principal deem it necessary to verify final eligibility and diplomas printed for those students that will be graduating.

Finding No. 8: The District had not implemented a formal ongoing security awareness training program to protect information technology (IT) resources.

Response: The District concurs with Finding No. 8. The Technology Department will develop a Security Awareness Training Presentation and/or video for new and current employees covering the importance of preserving the integrity, confidentiality, and availability of data information technology resources entrusted to them. After the training, the employees will sign off, acknowledging their understanding and acceptance of security-related responsibilities on an annual basis.

Finding No. 9: The District lacked written policies and procedures for certain IT functions.

Response: The District concurs with Finding No. 9. The Director of Technical Support Services will work with the Executive of Operations to develop policies that describe the scope of the Technical Support Services and procedures that describe how IT functions will be safely and efficiently accomplished.

Finding No. 10: The District's Disaster Recovery Plan lacked several key disaster recovery control elements and had not been tested.

Response: The District concurs with Finding No. 10. The current Disaster Recovery Plan will be amended to include a prioritized list of critical operations, data, and a list of backup personnel. Once the amended plan is approved by the School Board, the plan will be tested at another school district that is part of the PAEC Gateway Consortium.

Finding No. 11: Certain IT security controls in the areas of network security and application access and authorization needed improvement.

Response: The District concurs with Finding No. 11. The Technology Department will continue to implement the appropriate security controls recommended by the auditors.

FEDERAL AWARDS FINDINGS

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

Response: The District concurs with Federal Awards Finding No. 1, and has now registered in the Central Contractor Registration database.

Federal Awards Finding No. 2: The District did not timely verify that two vendors, paid \$37,500 and \$36,520, respectively, were not suspended or debarred from receiving Federal Title I program moneys, and did not include Federally-required provisions in the vendors' contracts.

Response: The District concurs with Federal Awards Finding No. 2. The District has implemented procedures for verifying a vendor's suspension and debarment status and ensuring contracts contain the Federally-required provisions.