

**GLADES COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2010



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

| | <u>District No.</u> |
|-----------------------------|---------------------|
| Janet Storey | 1 |
| Jenny Allen | 2 |
| Jeri Wilson | 3 |
| Mike Pressley, Chair | 4 |
| Patricia Pearce, Vice Chair | 5 |

Wayne Aldrich, Superintendent

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

The audit team leader was James E. Raulerson, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**GLADES COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: District records did not sufficiently evidence that performance assessments of school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 2: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 3: The District did not report a liability and related note disclosures for certain other postemployment benefits.

Finding No. 4: Controls over social security numbers could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 5: The District had not designated an information technology (IT) manager to oversee the District's IT policies and controls.

Finding No. 6: The District's IT security controls related to user authentication, logging, and software monitoring needed improvement.

Finding No. 7: The District lacked a Board-approved disaster recovery plan that contained certain key elements.

Finding No. 8: The District lacked written policies and procedures for certain IT functions.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I Part A, Cluster; Special Education Cluster; Impact Aid; and State Fiscal Stabilization Fund Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

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

- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-085.

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, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Glades County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 36 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Pematv Emahakv, Inc, (Charter School), the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Glades County District School Board as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 30 through 32) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
January 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Glades County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 28.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- In total, net assets increased \$622,480, which represents a 2.5 percent increase from the 2008-09 fiscal year. This net increase is largely due to the increase the District received from the Federal Impact Aid program, which was \$484,539.
- General revenues total \$13,974,647, or 93.7 percent of all revenues for the 2009-10 fiscal year, compared to \$12,757,865, or 91.4 percent, from the 2008-09 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$932,364, or 6.3 percent of all revenues, compared to \$1,200,792, or 8.6 percent, for the 2008-09 fiscal year.
- Expenses total \$14,284,531, only \$932,364 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$622,480.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$2,033,174 at June 30, 2010, or 18.4 percent of total General Fund expenditures, compared to \$991,388, or 8.8 percent, at June 30, 2009.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

All of the District's nonfiduciary activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital activities are reported as governmental activities.

- Governmental activities – This represents most of the District’s services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Component unit –The District presents one separate legal entity in this report: Pemaeytv Emahakv, Inc. (Charter School). 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 the 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 entity-wide perspective contained in the government-wide statements. All of the District’s funds may be classified within one of two broad categories discussed below.

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

| | Net Assets, End of Year | |
|----------------------------|--------------------------------|----------------------|
| | Governmental | |
| | Activities | |
| | 6-30-10 | 6-30-09 |
| Current and Other Assets | \$ 2,402,186 | \$ 1,936,828 |
| Capital Assets | 23,744,248 | 24,219,049 |
| Total Assets | 26,146,434 | 26,155,877 |
| Long-Term Liabilities | 509,457 | 594,372 |
| Other Liabilities | 126,279 | 673,287 |
| Total Liabilities | 635,736 | 1,267,659 |
| Net Assets: | | |
| Invested in Capital Assets | 23,744,248 | 23,729,576 |
| Restricted | 220,626 | 212,782 |
| Unrestricted | 1,545,824 | 945,860 |
| Total Net Assets | \$ 25,510,698 | \$ 24,888,218 |

The largest portion of the District’s net assets (93.1 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (0.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (6.0 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

Operating Results for the Year

| | Governmental Activities | |
|---|----------------------------|-------------------|
| | 6-30-10 | 6-30-09 |
| Program Revenues: | | |
| Charges for Services | \$ 126,925 | \$ 144,274 |
| Operating Grants and Contributions | 600,442 | 766,691 |
| Capital Grants and Contributions | 204,997 | 289,827 |
| General Revenues: | | |
| Property Taxes, Levied for Operational Purposes | 4,671,141 | 4,660,980 |
| Property Taxes, Levied for Capital Projects | 327,430 | 557,026 |
| Grants and Contributions Not Restricted to Specific Programs | 8,630,041 | 7,260,960 |
| Unrestricted Investment Earnings | 7,368 | 29,341 |
| Miscellaneous | 338,667 | 249,558 |
| Total Revenues | 14,907,011 | 13,958,657 |
| Functions/Program Expenses: | | |
| Instruction | 7,779,372 | 7,209,692 |
| Pupil Personnel Services | 488,231 | 599,709 |
| Instructional Media Services | 222,804 | 259,284 |
| Instruction and Curriculum Development Services | 359,960 | 311,307 |
| Instructional Staff Training Services | 256,454 | 298,042 |
| Instruction Related Technology | 60,076 | 54,801 |
| School Board | 288,457 | 311,663 |
| General Administration | 197,791 | 198,122 |
| School Administration | 680,445 | 634,184 |
| Facilities Acquisition and Construction | 123,247 | 137,707 |
| Fiscal Services | 178,470 | 178,246 |
| Food Services | 711,677 | 727,001 |
| Central Services | 28,608 | 26,311 |
| Pupil Transportation Services | 459,501 | 458,513 |
| Operation of Plant | 1,025,436 | 1,054,300 |
| Maintenance of Plant | 428,757 | 456,862 |
| Administrative Technology Services | 150,899 | 85,827 |
| Community Services | | 4,326 |
| Unallocated Interest on Long-Term Debt | 19,892 | 39,708 |
| Unallocated Depreciation/Amortization Expense | 793,392 | 787,396 |
| Loss on Disposal of Capital Assets | 31,062 | 7,663 |
| Total Functions/Program Expenses | 14,284,531 | 13,840,664 |
| Increase in Net Assets | \$ 622,480 | \$ 117,993 |

The largest revenue source is the State of Florida (41.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Property taxes collected for operational purposes increased only \$10,161, even though the millage rates increased from 6.737 to 7.242. Taxable property values decreased from \$726,618,648 to \$676,576,629. Property taxes collected for capital outlay projects decreased by \$229,596, or 41.2 percent, due to the millage rate change from .750 to .500 and declining property values.

Grants and contributions not restricted to specific programs revenue increased by \$1,369,081, or 18.9 percent. These revenues are primarily received from the State and Federal government and are for the general operation of the District. The net increase in funding for the 2009-10 fiscal year is mainly due to American Recovery and Reinvestment Act (ARRA) funds of \$990,593 and Federal Impact Aid funds of \$484,539 partially offset by a decrease in State revenues of \$309,578, or 4.7 percent. The State funding decrease was primarily due to a reduction in funding from the Florida Education Finance Program.

Instruction expenses represent 54.5 percent of total governmental expenses in the 2009-10 fiscal year. Instruction expenses increased by \$569,680, or 7.9 percent, from the previous year due mainly to employment of additional instructional staff. The hiring of additional staff was due mainly to the ARRA funds that the District received. Total expenses for the District increased by \$443,867, or 3.2 percent.

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 \$2,033,174, while the total fund balance is \$2,074,770. The unreserved fund balance increased by \$1,041,786, while the total fund balance increased by \$1,026,150 during the fiscal year, as compared to the balance of \$991,388 at June 30, 2009. The key factor in this increase was the receipt of Federal Impact Aid of \$484,539 for the 2009-10 fiscal year.

The Special Revenue – ARRA Economic Stimulus Fund has total revenues and expenditures of \$991,454 each, and the funding was mainly used for instruction, instructional staff training, and fixed capital outlay. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund do not accumulate fund balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues amounting to \$1,304,035, or 11.9 percent. At the same time, final appropriations are more than the original budgeted amounts by \$875,127. Budget revisions were due primarily to changes in estimated State and Federal funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Although actual revenues are less than final budgeted amounts, actual expenditures are also less than final budgeted amounts. The decrease in revenues was primarily due to the reduced State funding, while the decrease in expenditures was primarily due to reduced staffing. The actual ending fund balance equaled the estimated fund balance contained in the final amended budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental as of June 30, 2010, amounts to \$23,744,248 (net of accumulated depreciation). This investment in capital assets includes land and land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials and computer software; and construction in progress.

Additional information on the District's capital assets can be found in Notes 3 and 12 to the financial statements.

Long-Term Debt

At June 30, 2010, the District had no long-term debt.

OTHER MATTERS OF SIGNIFICANCE

Approximately 52.4 percent of total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds, and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which in turn will affect District revenue streams.

The District's enrollment increased by 49 students, or 3.5 percent from the 2008-09 fiscal year.

Effective for the 2009-10 fiscal year, the District began receiving one-time appropriations under the American Recovery and Reinvestment Act of 2009. The intent of these funds is to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. Depending on the program, these funds are generally available for only two to three years.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent, Glades County District School Board, 400 10th Street SW, Moore Haven, FL 33471.

BASIC FINANCIAL STATEMENTS

**GLADES COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010**

| | Primary Government Governmental Activities | Component Unit |
|---|--|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 2,372,453.70 | \$ 653,922.00 |
| Accounts Receivable | 301.75 | 9,890.00 |
| Due from Other Agencies | 66.87 | |
| Prepaid Items | | 136,058.00 |
| Inventories | 29,363.20 | |
| Capital Assets: | | |
| Nondepreciable Capital Assets | 951,977.64 | |
| Depreciable Capital Assets, Net | 22,792,270.72 | 168,543.00 |
| TOTAL ASSETS | \$ 26,146,433.88 | \$ 968,413.00 |
| LIABILITIES | | |
| Salaries and Benefits Payable | \$ 119,146.01 | \$ 165,102.00 |
| Payroll Deductions and Withholdings | | |
| Accounts Payable | | 149,250.00 |
| Due to Other Agencies | 7,133.29 | |
| Long-Term Liabilities: | | |
| Portion Due Within One Year | 38,209.23 | |
| Portion Due After One Year | 471,247.20 | |
| Total Liabilities | 635,735.73 | 314,352.00 |
| NET ASSETS | | |
| Invested in Capital Assets | 23,744,248.36 | 168,543.00 |
| Restricted for: | | |
| State Required Carryover Programs | 19,489.49 | |
| Capital Projects | 147,757.06 | |
| Food Service | 53,379.40 | |
| Unrestricted | 1,545,823.84 | 485,518.00 |
| Total Net Assets | 25,510,698.15 | 654,061.00 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 26,146,433.88 | \$ 968,413.00 |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

| Functions/Programs | Expenses | Program Revenues | | |
|--|-------------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 7,779,372.23 | \$ | \$ | \$ |
| Pupil Personnel Services | 488,231.28 | | | |
| Instructional Media Services | 222,804.17 | | | |
| Instruction and Curriculum Development Services | 359,959.77 | | | |
| Instructional Staff Training Services | 256,453.97 | | | |
| Instruction Related Technology | 60,075.93 | | | |
| School Board | 288,456.55 | | | |
| General Administration | 197,791.02 | | | |
| School Administration | 680,444.77 | | | |
| Facilities Acquisition and Construction | 123,247.00 | | | 204,996.81 |
| Fiscal Services | 178,469.83 | | | |
| Food Services | 711,677.45 | 126,924.94 | 600,441.90 | |
| Central Services | 28,607.88 | | | |
| Pupil Transportation Services | 459,501.02 | | | |
| Operation of Plant | 1,025,435.80 | | | |
| Maintenance of Plant | 428,757.42 | | | |
| Administrative Technology Services | 150,899.47 | | | |
| Unallocated Interest on Long-Term Debt | 19,891.74 | | | |
| Unallocated Depreciation/Amortization Expense | 793,391.48 | | | |
| Loss on Disposal of Capital Assets | 31,062.45 | | | |
| Total Primary Government | \$ 14,284,531.23 | \$ 126,924.94 | \$ 600,441.90 | \$ 204,996.81 |
| Component Unit | | | | |
| Pemayetv Emahakv, Inc. (Charter School) | \$ 3,999,263.00 | \$ | \$ 4,252.00 | \$ |
| 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.

| Net (Expense) Revenue and Changes in Net Assets | |
|--|-----------------------|
| <u>Primary Government</u> | <u>Component</u> |
| <u>Governmental</u> | <u>Unit</u> |
| <u>Activities</u> | |
| \$ (7,779,372.23) | \$ |
| (488,231.28) | |
| (222,804.17) | |
| (359,959.77) | |
| (256,453.97) | |
| (60,075.93) | |
| (288,456.55) | |
| (197,791.02) | |
| (680,444.77) | |
| 81,749.81 | |
| (178,469.83) | |
| 15,689.39 | |
| (28,607.88) | |
| (459,501.02) | |
| (1,025,435.80) | |
| (428,757.42) | |
| (150,899.47) | |
| (19,891.74) | |
| (793,391.48) | |
| (31,062.45) | |
| <u>\$ (13,352,167.58)</u> | |
| | <u>(3,995,011.00)</u> |
| 4,671,140.97 | 89,861.00 |
| 327,429.84 | |
| 8,630,041.56 | 4,100,790.00 |
| 7,368.58 | |
| <u>338,666.97</u> | <u>39,441.00</u> |
| <u>13,974,647.92</u> | <u>4,230,092.00</u> |
| 622,480.34 | 235,081.00 |
| <u>24,888,217.81</u> | <u>418,980.00</u> |
| <u>\$ 25,510,698.15</u> | <u>\$ 654,061.00</u> |

**GLADES COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

| | <u>General Fund</u> | <u>Special Revenue - ARRA Economic Stimulus Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,200,690.44 | \$ | \$ 171,763.26 | \$ 2,372,453.70 |
| Accounts Receivable | 301.75 | | | 301.75 |
| Due from Other Funds | 56.87 | | | 56.87 |
| Due from Other Agencies | | 56.87 | 10.00 | 66.87 |
| Inventories | | | 29,363.20 | 29,363.20 |
| TOTAL ASSETS | <u>\$ 2,201,049.06</u> | <u>\$ 56.87</u> | <u>\$ 201,136.46</u> | <u>\$ 2,402,242.39</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Payroll Deductions and Withholdings | \$ 119,146.01 | \$ | \$ | \$ 119,146.01 |
| Due to Other Funds | | 56.87 | | 56.87 |
| Due to Other Agencies | 7,133.29 | | | 7,133.29 |
| Total Liabilities | <u>126,279.30</u> | <u>56.87</u> | | <u>126,336.17</u> |
| Fund Balances: | | | | |
| Reserved for State Required Carryover Programs | 19,489.49 | | | 19,489.49 |
| Reserved for Encumbrances | 22,106.25 | | | 22,106.25 |
| Reserved for Inventories | | | 29,363.20 | 29,363.20 |
| Unreserved: | | | | |
| Undesignated, Reported in: | | | | |
| General Fund | 2,033,174.02 | | | 2,033,174.02 |
| Special Revenue Funds | | | 24,016.20 | 24,016.20 |
| Capital Projects Funds | | | 147,757.06 | 147,757.06 |
| Total Fund Balances | <u>2,074,769.76</u> | | <u>201,136.46</u> | <u>2,275,906.22</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 2,201,049.06</u> | <u>\$ 56.87</u> | <u>\$ 201,136.46</u> | <u>\$ 2,402,242.39</u> |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010**

| | |
|---|--------------------------------|
| Total Fund Balances - Governmental Funds | \$ 2,275,906.22 |
| 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. | 23,744,248.36 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of compensated absences payable. | <u>(509,456.43)</u> |
| Total Net Assets - Governmental Activities | <u>\$ 25,510,698.15</u> |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010**

| | General Fund | Special Revenue - ARRA Economic Stimulus Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------------|--|--------------------------------|--------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal Direct | \$ 484,538.59 | \$ 991,453.92 | \$ 29,521.00 | \$ 1,505,513.51 |
| Federal Through State and Local | 2,640.76 | | 1,676,263.08 | 1,678,903.84 |
| State | 6,030,873.02 | | 220,189.90 | 6,251,062.92 |
| Local: | | | | |
| Property Taxes | 4,671,140.97 | | 327,429.84 | 4,998,570.81 |
| Impact Fees | 16,958.50 | | | 16,958.50 |
| Charges for Services - Food Service | | | 126,924.94 | 126,924.94 |
| Miscellaneous | 312,567.43 | | 14,488.37 | 327,055.80 |
| Total Revenues | 11,518,719.27 | 991,453.92 | 2,394,817.13 | 14,904,990.32 |
| Expenditures | | | | |
| Current - Education: | | | | |
| Instruction | 6,464,508.53 | 782,285.48 | 585,213.33 | 7,832,007.34 |
| Pupil Personnel Services | 366,476.12 | 8,221.28 | 117,255.76 | 491,953.16 |
| Instructional Media Services | 220,504.61 | 4,110.64 | | 224,615.25 |
| Instruction and Curriculum Development Services | 270,926.59 | | 92,422.23 | 363,348.82 |
| Instructional Staff Training Services | 3,518.34 | 56,755.96 | 197,876.09 | 258,150.39 |
| Instruction Related Technology | 24,005.92 | 16,989.59 | 19,080.42 | 60,075.93 |
| School Board | 289,931.40 | | | 289,931.40 |
| General Administration | 172,388.72 | 811.28 | 26,138.55 | 199,338.55 |
| School Administration | 686,831.48 | | 231.09 | 687,062.57 |
| Facilities Acquisition and Construction | 90,605.74 | | 32,641.26 | 123,247.00 |
| Fiscal Services | 179,615.88 | 452.00 | | 180,067.88 |
| Food Services | 548.78 | 23,969.51 | 689,858.76 | 714,377.05 |
| Central Services | 28,858.85 | | | 28,858.85 |
| Pupil Transportation Services | 409,837.68 | | 52,367.71 | 462,205.39 |
| Operation of Plant | 1,027,896.64 | | | 1,027,896.64 |
| Maintenance of Plant | 430,830.87 | | | 430,830.87 |
| Administrative Technology Services | 151,134.23 | | | 151,134.23 |
| Fixed Capital Outlay: | | | | |
| Facilities Acquisition and Construction | 40,711.00 | | | 40,711.00 |
| Other Capital Outlay | 180,450.20 | 97,858.18 | 30,634.00 | 308,942.38 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | | | 19,891.74 | 19,891.74 |
| Total Expenditures | 11,039,581.58 | 991,453.92 | 1,863,610.94 | 13,894,646.44 |
| Excess of Revenues Over Expenditures | 479,137.69 | | 531,206.19 | 1,010,343.88 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 544,991.46 | | | 544,991.46 |
| Insurance Loss Recoveries | 2,021.25 | | | 2,021.25 |
| Transfers Out | | | (544,991.46) | (544,991.46) |
| Total Other Financing Sources (Uses) | 547,012.71 | | (544,991.46) | 2,021.25 |
| Net Change in Fund Balances | 1,026,150.40 | | (13,785.27) | 1,012,365.13 |
| Fund Balances, Beginning | 1,048,619.36 | | 214,921.73 | 1,263,541.09 |
| Fund Balances, Ending | \$ 2,074,769.76 | \$ | \$ 201,136.46 | \$ 2,275,906.22 |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Net Change in Fund Balances - Governmental Funds \$ 1,012,365.13

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 expenses in excess of capital outlays in the current period. (443,738.10)

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (31,062.45)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period. 84,915.76

Change in Net Assets - Governmental Activities \$ 622,480.34

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2010**

| | Agency Funds |
|---------------------------|-----------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 110,983.74 |
| LIABILITIES | |
| Internal Accounts Payable | \$ 110,983.74 |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

The component unit columns in the government-wide financial statements include the financial data of the Charter School. The Charter School is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Glades County District School Board. The charter school is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2010. The audit report is filed in the District's administrative offices.

➤ **Basis of Presentation**

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

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

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

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

➤ **Deposits**

The District’s cash and cash equivalents are considered to be cash on hand and demand deposits.

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

➤ **Inventories**

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

➤ **Capital Assets**

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

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

| <u>Description</u> | <u>Estimated Lives</u> |
|--|------------------------|
| Improvements Other than Buildings | 7 - 50 years |
| Buildings and Fixed Equipment | 50 years |
| Furniture, Fixtures, and Equipment | 5 - 15 years |
| Motor Vehicles | 5 - 10 years |
| Audio Visual Materials and Computer Software | 5 years |

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

➤ **Long-Term Liabilities**

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

Changes in compensated absences for the current year are reported in a subsequent note.

➤ **State Revenue Sources**

Significant revenues from State sources for current operations include 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 five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain 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 educational programs. The Department generally requires that these 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 and earmarked 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 allocations under the Classrooms First construction program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 15, 2009. 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.

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|-------------------------|------------------------|---------------------|-------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 813,648.45 | \$ | \$ | \$ 813,648.45 |
| Land Improvements - Nondepreciable | 97,618.19 | | | 97,618.19 |
| Construction in Progress | | 40,711.00 | | 40,711.00 |
| Total Capital Assets Not Being Depreciated | 911,266.64 | 40,711.00 | | 951,977.64 |
| Capital Assets Being Depreciated: | | | | |
| Improvements Other Than Buildings | 1,157,282.68 | | | 1,157,282.68 |
| Buildings and Fixed Equipment | 30,014,726.87 | | | 30,014,726.87 |
| Furniture, Fixtures, and Equipment | 630,523.31 | 156,732.38 | 126,181.83 | 661,073.86 |
| Motor Vehicles | 1,025,788.06 | 152,210.00 | 76,512.00 | 1,101,486.06 |
| Audio Visual Materials and Computer Software | 659,241.44 | | 126,107.17 | 533,134.27 |
| Total Capital Assets Being Depreciated | 33,487,562.36 | 308,942.38 | 328,801.00 | 33,467,703.74 |
| Less Accumulated Depreciation for: | | | | |
| Improvements Other Than Buildings | 611,843.61 | 45,622.72 | | 657,466.33 |
| Buildings and Fixed Equipment | 7,720,094.00 | 614,937.28 | | 8,335,031.28 |
| Furniture, Fixtures, and Equipment | 419,566.97 | 52,993.11 | 126,181.83 | 346,378.25 |
| Motor Vehicles | 835,329.66 | 63,034.00 | 76,512.00 | 821,851.66 |
| Audio Visual Materials and Computer Software | 592,945.85 | 16,804.37 | 95,044.72 | 514,705.50 |
| Total Accumulated Depreciation | 10,179,780.09 | 793,391.48 | 297,738.55 | 10,675,433.02 |
| Total Capital Assets Being Depreciated, Net | 23,307,782.27 | (484,449.10) | 31,062.45 | 22,792,270.72 |
| Governmental Activities Capital Assets, Net | \$ 24,219,048.91 | \$ (443,738.10) | \$ 31,062.45 | \$ 23,744,248.36 |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

4. CHANGES IN SHORT-TERM DEBT

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

| | Beginning Balance | Additions | Deductions | Ending Balance |
|----------------------------|----------------------|-----------|---------------|-------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Revenue Anticipation Notes | \$ 489,473.45 | \$ | \$ 489,473.45 | \$ |

On September 24, 2009, the District modified the terms of the initial line of credit and received an additional line of credit in the amount of \$1,000,000 for working capital for the 2009-10 fiscal year. Interest of 4.5 percent shall be paid quarterly with the total principal and accumulate unpaid interest to be paid September 30, 2010. The note was paid off on March 26, 2010.

5. CHANGES IN LONG-TERM LIABILITIES

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

| Description | Beginning Balance | Additions | Deductions | Ending Balance | Due In One Year |
|------------------------------|----------------------|--------------|---------------|-------------------|--------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Compensated Absences Payable | \$ 594,372.19 | \$ 37,231.24 | \$ 122,147.00 | \$ 509,456.43 | \$ 38,209.23 |

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

6. INTERFUND TRANSFERS

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

| Funds | Interfund | |
|---------------------------------|---------------|---------------|
| | Transfers in | Transfers Out |
| Major: | | |
| General | \$ 544,991.46 | \$ |
| Nonmajor Governmental: | | |
| Special Revenue Fund: | | |
| Other | | 6,908.07 |
| Capital Projects: | | |
| Public Education Captial Outlay | | 173,167.94 |
| Captial Outlay and Debt Service | | 176,608.76 |
| Local Capital Improvement | | 188,306.69 |
| Total | \$ 544,991.46 | \$ 544,991.46 |

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Transfers from the capital projects funds were for principal payments on the Revenue Anticipation Note and to reimburse eligible expenditures reported in the General Fund. The transfer from the Special Revenue - Other Fund was to reimburse expenditures made in the General Fund.

7. 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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Funds total \$1,930, at June 30, 2010.

8. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

| <u>Source</u> | <u>Amount</u> |
|---|------------------------|
| Florida Education Finance Program | \$ 4,151,321.00 |
| Categorical Educational Program - Class Size Reduction | 1,544,143.00 |
| Classrooms First | 124,558.00 |
| School Recognition | 57,048.00 |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 46,170.81 |
| Gross Receipts Tax (Public Education Capital Outlay) | 34,268.00 |
| Food Service Supplement | 15,877.00 |
| Mobile Home License Tax | 9,110.95 |
| Workforce Development Program | 6,523.00 |
| Discretionary Lottery Funds | 3,964.00 |
| Miscellaneous | 258,079.16 |
| | <hr/> |
| Total | <u>\$ 6,251,062.92</u> |

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

9. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

| | <u>Millages</u> | <u>Taxes Levied</u> |
|---|-----------------|---------------------|
| GENERAL FUND | | |
| Nonvoted School Tax: | | |
| Required Local Effort | 5.494 | \$ 3,683,200 |
| Basic Discretionary Local Effort | 0.498 | 333,860 |
| Supplemental Discretionary Local Effort | 0.250 | 167,601 |
| Voted School Tax: | | |
| Additonal Millage | 1.000 | 670,402 |
| CAPITAL PROJECTS FUNDS | | |
| Nonvoted Tax: | | |
| Local Capital Improvements | 0.500 | 335,201 |
| Total | 7.742 | \$ 5,190,264 |

10. 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 Florida 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.

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

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

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$645,073, \$639,532, and \$670,921, respectively, which were equal to the required contributions for each fiscal year. There were 14 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$46,226.

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.

11. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which eight district school boards have established a public entity risk pool for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, and other

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school.

The Board of Directors for SCERMP is composed of superintendents of all participating districts. Employers' Mutual, Inc. serves as the third-party administrator and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of reinsurance policies or excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except wind/hail/flood, respectively). The named wind or named flood deductible is 5 percent of replacement cost value with a minimum of \$250,000 per occurrence. Deductibles for unnamed wind or flood events are \$100,000 plus \$100,000 time element for any one occurrence. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents. SCERMP's purchased reinsurance property loss limit was substantially reduced to \$75 million compared to \$132 million during the 2008-09 fiscal year.

Workers' compensation claims are limited based on specific self-insured retention limits for each claim year. The limit for the 2009-10 fiscal year was \$1,000,000. SCERMP purchases excess reinsurance coverage through commercial insurance carriers covering aggregate group workers' compensation loss claims in up to \$2,000,000.

The District is covered by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of individual School Boards to individual claims of \$100,000 per person and \$200,000 per accident for all claims relating to the same incident for property casualty claims.

Health and hospitalization coverage is being provided by purchased commercial insurance on a guaranteed cost basis with rates established prior to renewal each year by the District's insurer based on the benefits and features selected by the District. Life insurance is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds.

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

12. CONSTRUCTION CONTRACT COMMITMENTS

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

| Project | Contract Amount | Completed to Date | Balance Committed |
|---|--------------------|----------------------|----------------------|
| Moor Haven Elementary School: Student Drop Off: Contractors | \$ 436,000.00 | \$ 40,711.00 | \$ 395,289.00 |

13. SUBSEQUENT EVENTS

On October 5, 2010, the District’s public entity risk pool, South Central Educational Risk Management Program (SCERMP), met and approved a repayment plan for the overpayments to member school boards due to hurricane losses, totaling \$8.9 million. The District’s share of \$674,847.05 is due June 30, 2011.

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REQUIRED SUPPLEMENTARY INFORMATION

**GLADES COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010**

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|--|------------------------|------------------------|------------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal Direct | \$ 75,000.00 | \$ 484,538.59 | \$ 484,538.59 | \$ |
| Federal Through State and Local | 1,076.05 | 1,076.05 | 2,640.76 | 1,564.71 |
| State | 5,693,136.23 | 6,475,881.23 | 6,030,873.02 | (445,008.21) |
| Local: | | | | |
| Property Taxes | 4,654,779.00 | 4,671,140.97 | 4,671,140.97 | |
| Impact Fees | 205,881.20 | 205,881.20 | 16,958.50 | (188,922.70) |
| Miscellaneous | 308,399.06 | 403,788.81 | 312,567.43 | (91,221.38) |
| Total Revenues | 10,938,271.54 | 12,242,306.85 | 11,518,719.27 | (723,587.58) |
| Expenditures | | | | |
| Current - Education: | | | | |
| Instruction | 5,960,219.28 | 6,539,741.03 | 6,464,508.53 | 75,232.50 |
| Pupil Personnel Services | 357,320.41 | 377,680.18 | 366,476.12 | 11,204.06 |
| Instructional Media Services | 220,736.00 | 224,746.27 | 220,504.61 | 4,241.66 |
| Instruction and Curriculum Development Services | 275,368.00 | 281,098.24 | 270,926.59 | 10,171.65 |
| Instructional Staff Training Services | 2,854.45 | 3,519.19 | 3,518.34 | 0.85 |
| Instruction Related Technology | 30,000.00 | 30,000.00 | 24,005.92 | 5,994.08 |
| School Board | 302,042.00 | 327,435.35 | 289,931.40 | 37,503.95 |
| General Administration | 174,051.30 | 175,114.21 | 172,388.72 | 2,725.49 |
| School Administration | 650,629.00 | 689,986.12 | 686,831.48 | 3,154.64 |
| Facilities Acquisition and Construction | | 90,605.74 | 90,605.74 | |
| Fiscal Services | 177,935.00 | 180,897.17 | 179,615.88 | 1,281.29 |
| Food Services | | 548.78 | 548.78 | |
| Central Services | 29,065.00 | 29,255.36 | 28,858.85 | 396.51 |
| Pupil Transportation Services | 369,697.00 | 483,190.76 | 409,837.68 | 73,353.08 |
| Operation of Plant | 1,079,498.30 | 1,095,926.82 | 1,027,896.64 | 68,030.18 |
| Maintenance of Plant | 1,094,237.07 | 930,954.90 | 430,830.87 | 500,124.03 |
| Administrative Technology Services | 70,096.00 | 167,464.73 | 151,134.23 | 16,330.50 |
| Fixed Capital Outlay: | | | | |
| Facilities Acquisition and Construction | | 40,711.00 | 40,711.00 | |
| Other Capital Outlay | 180,450.20 | 180,450.20 | 180,450.20 | |
| Total Expenditures | 10,974,199.01 | 11,849,326.05 | 11,039,581.58 | 809,744.47 |
| Excess (Deficiency) of Revenues Over Expenditures | (35,927.47) | 392,980.80 | 479,137.69 | 86,156.89 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 34,268.00 | 544,991.46 | 544,991.46 | |
| Insurance Loss Recoveries | | | 2,021.25 | 2,021.25 |
| Transfers Out | (6,500.00) | (6,500.00) | | 6,500.00 |
| Total Other Financing Sources (Uses) | 27,768.00 | 538,491.46 | 547,012.71 | 8,521.25 |
| Net Change in Fund Balances | (8,159.47) | 931,472.26 | 1,026,150.40 | 94,678.14 |
| Fund Balances, Beginning | 1,048,619.56 | 1,048,619.56 | 1,048,619.36 | (0.20) |
| Fund Balances, Ending | \$ 1,040,460.09 | \$ 1,980,091.82 | \$ 2,074,769.76 | \$ 94,677.94 |

| Special Revenue - ARRA Economic Stimulus Fund | | | |
|---|---------------------|-------------------|--|
| Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
| \$ 1,041,901.00 | \$ 1,259,303.35 | \$ 991,453.92 | \$ (267,849.43) |
| <u>1,041,901.00</u> | <u>1,259,303.35</u> | <u>991,453.92</u> | <u>(267,849.43)</u> |
| 769,822.98 | 957,683.51 | 782,285.48 | 175,398.03 |
| 37,000.00 | 44,721.28 | 8,221.28 | 36,500.00 |
| | 4,110.64 | 4,110.64 | |
| 88,242.64 | 103,944.45 | 56,755.96 | 47,188.49 |
| 22,529.00 | 22,529.00 | 16,989.59 | 5,539.41 |
| 176.14 | 1,732.23 | 811.28 | 920.95 |
| | 452.00 | 452.00 | |
| 26,272.06 | 26,272.06 | 23,969.51 | 2,302.55 |
| <u>97,858.18</u> | <u>97,858.18</u> | <u>97,858.18</u> | |
| <u>1,041,901.00</u> | <u>1,259,303.35</u> | <u>991,453.92</u> | <u>267,849.43</u> |
| | | | |
| | | | |
| | | | |
| <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

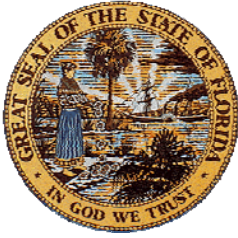
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GLADES COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

| Federal Grantor/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (1) |
|--|---|-------------------------------|----------------------------|
| United States Department of Agriculture: | | | |
| Indirect: | | | |
| Child Nutrition Cluster: | | | |
| Florida Department of Education: | | | |
| School Breakfast Program | 10.553 | 321 | \$ 196,610.42 |
| National School Lunch Program | 10.555 | 300, 350 | 336,317.98 |
| Florida Department of Agriculture and Consumer Services: | | | |
| National School Lunch Program | 10.555 (2) | None | <u>37,373.69</u> |
| Total Child Nutrition Cluster | | | <u>570,302.09</u> |
| Florida Department of Education: | | | |
| ARRA - Child Nutrition Discretionary Grants Limited Availability | 10.579 | 371 | 90,178.45 |
| Florida Department of Financial Services: | | | |
| Secure Payments for States and Counties Containing Federal Lands | 10.665 | None | <u>840.76</u> |
| Total United States Department of Agriculture | | | <u>661,321.30</u> |
| United States Department of Education: | | | |
| Direct: | | | |
| Impact Aid | 84.041 | N/A | 484,538.59 |
| Indian Education - Grants to Local Educational Agencies | 84.060 | N/A | <u>29,521.00</u> |
| Total Direct | | | 514,059.59 |
| Indirect: | | | |
| Special Education Cluster: | | | |
| Florida Department of Education: | | | |
| Special Education - Grants to States | 84.027 | 263 | 308,342.54 |
| Special Education - Preschool Grants | 84.173 | 267 | 8,286.78 |
| ARRA - Special Education - Grants to States, Recovery Act | 84.391 | 263 | 134,090.33 |
| ARRA - Special Education - Preschool Grants, Recovery Act | 84.392 | 267 | 4,329.44 |
| Putnam County District School Board: | | | |
| Special Education - Grants to States | 84.027 | None | 479.62 |
| University of South Florida: | | | |
| Special Education - Grants to States | 84.027 | None | <u>1,800.00</u> |
| Total Special Education Cluster | | | 457,328.71 |
| Title I, Part A Cluster: | | | |
| Florida Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 212, 222, 223, 226, 228 | 557,688.59 |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 212, 223, 226 | <u>256,153.99</u> |
| Total Title I, Part A Cluster | | | 813,842.58 |
| Educational Technology State Grants Cluster: | | | |
| Florida Department of Education: | | | |
| Education Technology State Grants | 84.318 | 121 | 3,452.62 |
| ARRA - Education Technology State Grants, Recovery Act | 84.386 | 121 | <u>4,573.31</u> |
| Total Educational Technology State Grants Cluster | | | 8,025.93 |
| State Fiscal Stabilization Fund Cluster: | | | |
| Florida Department of Education: | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 591 | 462,862.00 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 84.397 | 592 | <u>38,405.20</u> |
| Total State Stabilization Fund Cluster | | | 501,267.20 |
| Florida Department of Education: | | | |
| Adult Education - Basic Grants to States | 84.002 | 191 | 22,989.90 |
| Migrant Education - State Grant Program | 84.011 | 217 | 42,908.37 |
| Career and Technical Education - Basic Grants to States | 84.048 | 161 | 51,601.64 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 103 | 5,727.74 |
| Improving Teacher Quality State Grants | 84.367 | 224 | 90,430.87 |
| Highlands County District School Board: | | | |
| Safe and Drug-Free Schools and Communities - National Programs | 84.184 | None | <u>269.12</u> |
| Total Indirect | | | <u>1,994,392.06</u> |
| Total United States Department of Education | | | <u>2,508,451.65</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 3,169,772.95</u> |

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

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the fiscal year. Donated foods 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 Glades County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Glades County District School Board's financial statements. For the school internal funds and the discretely presented component unit, 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 7, 2011



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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Glades County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. 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 its 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 OMB *Circular A-133*. 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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.

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

Respectfully submitted,



David W. Martin, CPA
January 7, 2011

**GLADES COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

| | |
|--|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be a material weakness(es)? | None reported |
| Type of report the auditor issued on compliance for major programs: | Unqualified for all major programs |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ? | No |
| Identification of major programs: | Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); Impact Aid (CFDA No. 84.041); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA) |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | No |

**GLADES COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes. The instructional personnel assessment form has nine sections evidencing various performance measures totaling 300 points, including 155 points focused on student performance. While the performance assessment procedures for school administrators were generally based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, District records did not sufficiently evidence that the school administrators were evaluated based primarily on student performance. Only 1 (10 percent) of the 10 categories used to evaluate school administrators was related to student performance, and District records did not evidence the correlation of this category to actual student performance. Without measuring employee performance based primarily on student performance, performance assessments of school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

Recommendation: The District should continue its efforts to ensure that performance assessments of school administrators are based primarily on student performance.

Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on

District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedule and applicable union contracts for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c)2., Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The instructional personnel salary schedule provided a performance supplement of 5 percent of an instructional employee's salary; however, the District did not make any of these payments in the 2009-10 fiscal year. As such, contrary to Section 1012.22(1)(c)2., Florida Statutes, District records did not evidence that a reasonable attempt had been made to base a portion of each instructional employee's compensation on the employee's performance.

The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard seven hour day, such as supplements for athletic and drama coaches and department chairpersons. However, the salary schedule did not evidence consideration of differentiated pay based on school demographics, critical shortage areas, and the level of job performance difficulty for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 3: Financial Reporting

The District is required, effective for the 2009-10 fiscal year, to implement Governmental Accounting Standards Board Statement No. 45 (Statement), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than*

Pensions, for certain other postemployment benefits (OPEB) provided by the District. This Statement requires the District to report a liability for its coverage of retired employees who continue to receive benefits offered by the District, and note disclosures to describe the OPEB plan, funding status and progress, and actuarial methods and assumptions. The Statement further requires that the District obtain an actuarial valuation of its OPEB plan at least biennially since, at June 30, 2010, its plan had 178 plan members, exceeding the minimum 100-member plan requirement for the actuarial study. However, contrary to these requirements, District personnel did not obtain an actuarial valuation and elected not to report a liability or the related note disclosures. District personnel indicated that the actuarial valuation was not obtained due to the small number of District participants and the perceived cost of the actuarial valuation. Based on our analytical comparison with other similarly sized districts, the unreported amounts may not be quantitatively significant; however, there is an increased need for the District to obtain an actuarially-prepared study as OPEB amounts rise in future years due to the cumulative nature of this expense and related liability.

Recommendation: The District should take action to contract with a qualified actuary to perform the required actuarial valuation of its OPEB expense, liability, and related note disclosures.

Finding No. 4: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSN) 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 is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District collected SSNs for a variety of reasons, such as applications for employment and free and reduced lunches, and provided individuals with written statements that list reasons for collecting SSNs. However, the statements did not indicate whether the collection of the SSN was authorized or mandatory under Federal or State law, and identify the specific Federal or State law governing the collection, use, or release of SSNs. In addition, the District's Web site included a link to the written statement for online employment applications, and the District attached a copy of the written statement to hand-delivered employment applications; however, online applicants were not required to visit the link before completing the application. As such, the District cannot demonstrate that online applicants obtained a copy of the written statement.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduces the risk that SSNs may be used for unauthorized purposes.

Recommendation: **The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes.**

Finding No. 5: Information Technology - Information Technology Manager

An information technology (IT) manager understands the risks associated with IT and serves as a focal point by coordinating all IT-related interactions within the District, as well as those external to the District. One of the most critical factors in managing IT resources is effective information security management. An IT manager is key in developing, communicating, monitoring, and enforcing compliance with security policies Districtwide and reporting on these activities to senior management. As similarly noted in our report No. 2010-085, the District had not designated a manager as responsible for the District's overall IT operations, but mainly outsourced these operations, as described below:

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

Notwithstanding the above, no individual at the District provided overall coordination or management of District IT functions, provided oversight of the network consultant's and application provider's activities, ensured the completeness and effectiveness of the District's disaster recovery plan, developed and distributed IT policies and procedures, or monitored compliance with IT policies and procedures. Without a designated IT manager who has the knowledge to identify IT-related risks, implement adequate controls to mitigate those risks, and the authority to make and enforce IT-related policies, the risk is increased that IT controls may be inadequate; responsibilities may be unclear, misunderstood, or improperly applied; and controls may be inconsistently applied. Such conditions could lead to insufficient protection of IT data and resources.

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

Finding No. 6: Information Technology - User Authentication, Logging, and Software Monitoring

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As similarly noted in our report No. 2010-085, certain District security controls related to user authentication, logging, and software monitoring needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

Finding No. 7: Information Technology - Disaster Recovery Plan

A written disaster recovery plan is an important element of an effective internal control system over IT operations and helps minimize data and asset loss in the event of major hardware or software failures or other interruptions in IT operations. An effective disaster recovery plan should identify the data, processes, and applications that are critical to the District, provide for backup of critical data, and contain a step-by-step plan for recovery to minimize the potential impact of an event that disrupts IT operations. Although the District had a written disaster recovery plan, the plan lacked the key elements noted above, including a written agreement with an alternative processing facility, and the plan had not been approved by the Board. Similar findings were noted in previous audit reports, most recently our report No. 2010-085.

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

Finding No. 8: 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. 2010-085, the District lacked written policies and procedures for the following IT functions:

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

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

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

FEDERAL AWARDS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-085.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*GLADES COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010*

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 |
|---|--|---|------------|----------------------|
| 2010-085 (1) | Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); and Special Education - Preschool Grants, Recovery Act (CFDA No. 84.392)/Reporting and Special Tests and Provisions | Contrary to registration requirements for Federal awards, the District did not timely renew its registration in the Central Contractor Registration database. | Corrected. | District registered. |

EXHIBIT A
MANAGEMENT'S RESPONSE

GLADES COUNTY SCHOOL DISTRICT
Building Academic Excellence

January 7, 2011

Wayne Aldrich
Superintendent

•

Scott Bass
Administrative Services Director

David W. Martin, CPA
Auditor General
12557-1 New Brittany Blvd.
Fort Myers, FL 33907

•

Dear Mr. Martin:

Deborah Pressley
Curriculum Services Director

•

Susan Williams
Finance Director

•

School Board

The Glades County School District is in agreement with the preliminary and tentative audit findings and recommendations for the fiscal year ending June 30, 2010. The school district has completed some of the recommendations and continues to be in the process of correcting the remaining findings to present to the school board for approval. As in the past, Glades School District appreciates the time spent by employees of the Auditor General in our district. The District considers the process both positive and beneficial for our continuous improvement. The improvement of our school system is crucial in meeting the educational needs of our students and the District will strive to make improvements and ensure the correction of all audit findings for the year ending June 30, 2010.

• **Janet Storey**
District 1

Finding No. 1: Performance Assessments

• **Cathy Peeples**
District 2

The District will continue its efforts to ensure that performance assessments for school administrators are based primarily on student performance.

• **Tom Gaskins, Jr.**
District 3

Finding No. 2: Compensation and Salary Schedules

• **Mike Pressley**
District 4

The Board will attempt to adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules.

• **Patricia Pearce**
District 5



Accredited

Finding No. 3: Financial Reporting

The district is in the process of contracting with a qualified actuary to perform the required actuarial valuation of its OPEB expense, liability, and related note disclosures.

Finding No. 4: Collection of Social Security Numbers

The district is making every effort to make sure that we comply with Section 119.07 (5) (a), Florida Statutes, in regard to the collection of social security numbers.

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 5: Information Technology – Information Technology Manager

The Glades County School District is in the process of developing a job description and delegating responsibilities for this position. However, it is unknown when an individual will be placed in such a position given the current financial status of the school district.

Finding No. 6: Information Technology – User Authentication, Logging and Software Monitoring

Improvements are being developed currently by the Director of Administrative Services and the district's IT contractor that will ensure additional security controls.

Finding No. 7: Information Technology - Disaster Recovery Plan

The district will make every effort to have in place a comprehensive disaster recovery plan which will be approved by the school board and meet all the key elements noted in the audit.

Finding No. 8: Information Technology – Written Policies and Procedures

The district is in the process of developing written policies and procedures for necessary IT functions.

Sincerely,



Wayne Aldrich
Superintendent,
Glades County School District

WA:lr