

**GILCHRIST 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>
Cloud E. Haley, Chair to 11-16-09	1
Robert B. Clemons, Vice Chair to 11-16-09, Chair from 11-17-09	2
Robert G. Rankin, Vice Chair from 11-17-09	3
Julie C. Thomas	4
K. Michelle Carter	5

Donald A. Thomas, 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 Anna C. Kroll, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us 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.

GILCHRIST COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

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

SIGNIFICANT DEFICIENCY

Finding No. 1: District procedures for reporting information on the financial statements could be improved.

ADDITIONAL MATTER

Finding No. 2: District records did not evidence that the use of capital outlay tax levy moneys for self-insurance premiums was consistent with Section 1011.71(5), Florida Statutes, resulting in \$324,979 of questioned costs.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; the Special Education Cluster; the Title I, Part A Cluster; the State Fiscal Stabilization Fund Cluster; and the Twenty-First Century Community Learning Centers 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 Gilchrist County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

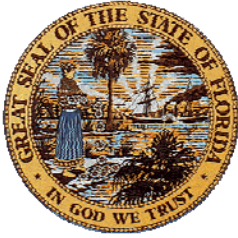
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-073.

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, each major fund, and the aggregate remaining fund information of the Gilchrist County District School Board, as of and for the fiscal year ended June 30, 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 51 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Gilchrist County District School Board as of June 30, 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 Gilchrist County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the

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

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 38 through 41) 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
March 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$1,164,635.73, which represents a 2.59 percent increase from the 2008-09 fiscal year.
- General revenues total \$24,012,440.54, or 90.29 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,583,175.51, or 9.71 percent of all revenues.
- Expenses total \$25,430,980.32. Only \$2,583,175.51 of these expenses were offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$1,164,635.73.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$1,822,319.72 at June 30, 2010, or 9.73 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the 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, the Special Revenue – Other Fund, the Special Revenue – ARRA Economic Stimulus Fund, the Debt Service – Special Act Bonds Fund, the Capital Projects – Public Education Capital Outlay Fund, and the Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 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	\$ 3,869,750.73	\$ 2,629,930.37
Capital Assets	44,363,497.77	44,670,803.04
Total Assets	48,233,248.50	47,300,733.41
Long-Term Liabilities	1,653,210.36	1,664,556.32
Other Liabilities	507,853.98	728,628.66
Total Liabilities	2,161,064.34	2,393,184.98
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	43,707,520.60	44,000,803.04
Restricted	1,170,609.00	868,154.15
Unrestricted	1,194,054.56	38,591.24
Total Net Assets	\$ 46,072,184.16	\$ 44,907,548.43

The largest portion of the District’s net assets (94.87 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (2.54 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2.59 percent) may be used to meet the District’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	\$ 635,869.83	\$ 689,270.56
Operating Grants and Contributions	1,010,060.07	1,544,670.55
Capital Grants and Contributions	937,245.61	1,152,173.21
General Revenues:		
Property Taxes, Levied for Operational Purposes	4,514,017.12	4,280,293.86
Property Taxes, Levied for Capital Projects	1,043,816.55	1,248,094.08
Grants and Contributions Not Restricted to Specific Programs	18,031,540.74	16,906,862.21
Unrestricted Investment Earnings	69,013.31	45,468.89
Miscellaneous	354,052.82	314,138.02
Total Revenues	26,595,616.05	26,180,971.38
Functions/Program Expenses:		
Instruction	13,020,944.65	13,274,119.88
Pupil Personnel Services	1,520,345.66	1,465,707.60
Instructional Media Services	354,701.15	420,918.65
Instruction and Curriculum Development Services	614,491.85	611,460.25
Instructional Staff Training Services	47,450.57	114,157.39
Instruction Related Technology	213,155.33	201,191.48
School Board	294,867.37	305,411.38
General Administration	370,793.85	300,733.62
School Administration	964,130.07	1,103,666.56
Facilities Acquisition and Construction	353,388.98	147,133.43
Fiscal Services	363,524.86	319,069.18
Food Services	1,414,588.79	1,406,783.65
Central Services	334,985.01	309,856.80
Pupil Transportation Services	1,221,098.14	1,238,746.00
Operation of Plant	2,145,338.91	2,382,968.15
Maintenance of Plant	707,759.15	682,663.81
Administrative Technology Services	8,958.31	17,849.74
Community Services		36,644.13
Unallocated Interest on Long-Term Debt	42,149.08	64,975.51
Unallocated Depreciation Expense	1,437,524.59	1,375,315.44
Loss on Disposal of Capital Assets	784.00	1,590.78
Total Functions/Program Expenses	25,430,980.32	25,780,963.43
Increase in Net Assets	\$ 1,164,635.73	\$ 400,007.95

The largest revenue source is the State of Florida (56.88 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.

Capital grants and contributions revenue decreased by \$214,927.60, or 18.65 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The decrease in funding is mainly due to completion of certain construction projects during the 2008-09 fiscal year.

Grants and contributions not restricted to specific programs increased by \$1,124,678.53, or 6.65 percent. This is primarily due to receipt of American Recovery and Reinvestment Act (ARRA) Federal funds of \$1,501,474.89, which was partially offset by a decrease in Florida Education Finance Program funding of \$439,522.

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 \$1,822,319.72, while the total fund balance is \$2,380,330.56. The unreserved fund balance increased by \$1,069,345.67, while the total fund balance increased by \$1,358,265.80 during the fiscal year. Key factors impacting fund balance are as follows:

- State revenue decreased by \$1,269,036.98, or 7.9 percent, due in part, to the decrease of 41.27 full-time equivalent students.
- Total expenditures decreased by \$2,346,060.57, or 11.14 percent, due mainly to a decrease in staff and other cost containment measures (e.g., reducing supplies expense, limiting travel, etc.) implemented by the District.

The Special Revenue – Other Fund accounted for Federal grants administered through the State's cash advance system. This fund accounted for \$2,076,755.31 in expenditures for the 2009-10 fiscal year. This represents an increase of \$298,332.13 from the previous year. This increase was due to an increase in Federal funding received through the Florida Department of Education. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances.

The Special Revenue – ARRA Economic Stimulus Fund has total revenues and expenditures of \$1,501,533.36 each, and the funding was mainly used for costs of instruction. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances.

The Debt Service – Special Act Bonds Fund had liabilities totaling \$80,000, which is for bond principal.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$103,432.44, which is restricted for the acquisition, construction, and maintenance of capital assets. During the fiscal year, the District recognized revenues of \$267,290, mainly for encumbrance authorizations of prior year legislative appropriations that were used for reroofing District facilities. It should be noted that \$29,546.19 is encumbered for specific projects.

The Capital Projects – Local Capital Improvement Fund, which accounts for financial resources of the capital improvement tax levy, had revenues and expenditures of \$1,045,588.59 and \$671,467.32, respectively, and ended the year with a fund balance of \$512,522.97. The financial resources are restricted for the acquisition, construction, and maintenance of the District's capital assets, and for payments on assets under capital lease.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2009-10 fiscal year, the District amended its General Fund budget several times. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance. There were no significant variances between original and final budgeted amounts.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$380,529.62, or 1.99 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$380,529.62.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental-type activities as of June 30, 2010, amounts to \$44,363,497.77 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; and audio visual materials and computer software.

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

Additional information on the District's capital assets can be found in Notes 1, 4, and 5, to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total long-term debt outstanding of \$655,977.17. This amount is comprised of bonds (\$535,000) and a capital lease (\$120,977.17). There are three separate bond issues coming to maturity in the 2011, 2016, and 2020 fiscal years. Two of the three bonds are paid from special State allocation for debt service. During the fiscal year, the District entered into a new capital lease for \$227,858.19 and retired debt of \$241,882.02.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The Gilchrist County District School Board is carefully monitoring its financial condition in an environment of uncertain State and Federal resources. Student growth is becoming more of a pressing issue recently. Projections for the 2010-11 fiscal year reflect an additional decrease in students. The District is now levying impact fees on new real estate development in the county. In light of uncertain economic times, the District will continue to closely monitor its financial position. If the economy continues to decline and revenues fall, the Administration and the Board will be faced with challenges to make changes in order to keep the District financially sound.

Effective for the 2009-10 fiscal year, the District began receiving one-time appropriations under the American Recovery and Reinvestment Act (ARRA). 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 available for only two to four years.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, other required supplementary information, financial statements and notes thereto, or requests for additional financial information should be addressed to David Dose, Director of Finance, 310 NW 11th Avenue, Trenton, Florida 32693.

BASIC FINANCIAL STATEMENTS

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

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	3,361,581.57
Cash with Fiscal Agent		93,442.46
Investments		18,161.89
Due from Other Agencies		364,498.44
Inventories		32,066.37
Capital Assets:		
Nondepreciable Capital Assets		288,351.13
Depreciable Capital Assets, Net		44,075,146.64
		44,075,146.64
TOTAL ASSETS	\$	48,233,248.50
LIABILITIES		
Payroll Deductions and Withholdings	\$	7,666.11
Accounts Payable		132,826.78
Construction Contracts Payable - Retainage		15,736.90
Due to Other Agencies		132.06
Matured Principal Payable		80,000.00
Deferred Revenue		248,500.90
Estimated Insurance Claims Payable		22,991.23
Long-Term Liabilities:		
Portion Due Within One Year		499,420.19
Portion Due After One Year		1,153,790.17
		1,153,790.17
Total Liabilities		2,161,064.34
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		43,707,520.60
Restricted for:		
State Required Carryover Programs		95,600.35
Debt Service		107,985.26
Capital Projects		675,506.14
Food Service		198,074.79
Other Purposes		93,442.46
Unrestricted		1,194,054.56
		1,194,054.56
Total Net Assets		46,072,184.16
TOTAL LIABILITIES AND NET ASSETS	\$	48,233,248.50

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 13,020,944.65	\$ 161,565.10	\$	\$ (12,859,379.55)
Pupil Personnel Services	1,520,345.66			(1,520,345.66)
Instructional Media Services	354,701.15			(354,701.15)
Instruction and Curriculum Development Services	614,491.85			(614,491.85)
Instructional Staff Training Services	47,450.57			(47,450.57)
Instruction Related Technology	213,155.33			(213,155.33)
School Board	294,867.37			(294,867.37)
General Administration	370,793.85			(370,793.85)
School Administration	964,130.07			(964,130.07)
Facilities Acquisition and Construction	353,388.98			370,252.68
Fiscal Services	363,524.86			(363,524.86)
Food Services	1,414,588.79	461,112.97	1,010,060.07	56,584.25
Central Services	334,985.01			(334,985.01)
Pupil Transportation Services	1,221,098.14	13,191.76		(1,207,906.38)
Operation of Plant	2,145,338.91			(2,145,338.91)
Maintenance of Plant	707,759.15			(572,868.15)
Administrative Technology Services	8,958.31			(8,958.31)
Unallocated Interest on Long-Term Debt	42,149.08			36,563.87
Unallocated Depreciation Expense*	1,437,524.59			(1,437,524.59)
Loss on Disposal of Capital Assets	784.00			(784.00)
Total Governmental Activities	\$ 25,430,980.32	\$ 635,869.83	\$ 1,010,060.07	\$ 937,245.61
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				4,514,017.12
Property Taxes, Levied for Capital Projects				1,043,816.55
Grants and Contributions Not Restricted to Specific Programs				18,031,540.74
Unrestricted Investment Earnings				69,013.31
Miscellaneous				354,052.82
Total General Revenues				24,012,440.54
Change in Net Assets				1,164,635.73
Net Assets - Beginning				44,907,548.43
Net Assets - Ending				\$ 46,072,184.16

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

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

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - ARRA Economic Stimulus Fund</u>	<u>Debt Service - Special Act Bonds Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,340,175.68	\$ 89,780.64	\$ 49,799.99	\$ 173,543.75
Cash with Fiscal Agent	93,442.46			
Investments	3,720.38			
Due from Other Funds	75,257.03			
Due from Other Agencies	59,035.54		2,256.75	
Inventories				
TOTAL ASSETS	<u><u>\$ 2,571,631.09</u></u>	<u><u>\$ 89,780.64</u></u>	<u><u>\$ 52,056.74</u></u>	<u><u>\$ 173,543.75</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 7,666.11	\$	\$	\$
Accounts Payable	57,652.08	19.00		
Matured Principal Payable				80,000.00
Construction Contracts Payable - Retainage				
Due to Other Funds			2,233.07	
Due to Other Agencies		75.49	56.57	
Deferred Revenue	102,991.11	89,686.15	49,767.10	
Estimated Insurance Claims Payable	22,991.23			
Total Liabilities	<u>191,300.53</u>	<u>89,780.64</u>	<u>52,056.74</u>	<u>80,000.00</u>
Fund Balances:				
Reserved for State Required Carryover Programs	95,600.35			
Reserved for Encumbrances	368,968.03			
Reserved for Debt Service				93,543.75
Reserved for Other Purposes	93,442.46			
Unreserved, Reported In:				
General Fund	1,822,319.72			
Special Revenue Funds				
Capital Projects Funds				
Total Fund Balances	<u>2,380,330.56</u>			<u>93,543.75</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,571,631.09</u></u>	<u><u>\$ 89,780.64</u></u>	<u><u>\$ 52,056.74</u></u>	<u><u>\$ 173,543.75</u></u>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 512,522.97	\$ 195,758.54	\$ 3,361,581.57
		14,441.51	93,442.46
267,290.00		35,916.15	18,161.89
		32,066.37	75,257.03
<u>267,290.00</u>	<u>512,522.97</u>	<u>278,182.57</u>	<u>3,945,007.76</u>
\$	\$	\$	\$
75,096.70		59.00	7,666.11
15,736.90			132,826.78
73,023.96			80,000.00
			15,736.90
			75,257.03
			132.06
		6,056.54	248,500.90
<u>163,857.56</u>	<u>512,522.97</u>	<u>6,115.54</u>	<u>583,111.01</u>
			95,600.35
29,546.19	1,288.95	4,128.36	403,931.53
		14,441.51	107,985.26
			93,442.46
			1,822,319.72
73,886.25	511,234.02	193,946.43	193,946.43
		59,550.73	644,671.00
<u>103,432.44</u>	<u>512,522.97</u>	<u>272,067.03</u>	<u>3,361,896.75</u>
\$	\$	\$	\$
267,290.00	512,522.97	278,182.57	3,945,007.76

**GILCHRIST 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 \$ 3,361,896.75

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 44,363,497.77

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:

Obligation Under Capital Lease	\$ 120,977.17	
Bonds Payable	535,000.00	
Compensated Absences Payable	809,861.19	
Other Postemployment Benefits Payable	187,372.00	(1,653,210.36)

Total Net Assets - Governmental Activities \$ 46,072,184.16

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Special Act Bonds Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 54,299.07	\$	\$	\$
Federal Through State and Local		2,076,651.00	1,501,474.89	
State	14,302,075.78			100,000.00
Local:				
Property Taxes	4,514,017.12			
Impact Fees				
Charges for Services - Food Service				
Miscellaneous	559,854.73	104.31	58.47	351.09
Total Revenues	19,430,246.70	2,076,755.31	1,501,533.36	100,351.09
Expenditures				
Current - Education:				
Instruction	10,370,568.35	1,598,323.40	1,050,327.47	
Pupil Personnel Services	966,473.85	245,740.31	307,924.29	
Instructional Media Services	354,652.01			
Instruction and Curriculum Development Services	482,249.88	132,152.82		
Instructional Staff Training Services	36,064.03	11,381.79		
Instruction Related Technology	197,758.74	4,458.71	10,913.48	
School Board	294,681.28	104.31	58.47	
General Administration	270,653.37	60,809.99	39,294.63	
School Administration	963,990.94			
Facilities Acquisition and Construction	69,884.69			
Fiscal Services	363,481.52			
Food Services	2,899.91		300.00	
Central Services	334,842.45	107.65		
Pupil Transportation Services	1,095,653.83	3,431.41		
Operation of Plant	2,145,278.80	26.08		
Maintenance of Plant	707,709.60			
Administrative Technology Services	8,958.31			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	27,889.04			
Other Capital Outlay	25,766.89	20,218.84	92,715.02	
Debt Service:				
Principal				80,000.00
Interest and Fiscal Charges				13,887.50
Total Expenditures	18,719,457.49	2,076,755.31	1,501,533.36	93,887.50
Excess of Revenues Over Expenditures	710,789.21			6,463.59
Other Financing Sources (Uses)				
Transfers In	626,911.59			
Inception of Capital Lease				
Insurance Loss Recoveries	20,565.00			
Transfers Out				(6,463.59)
Total Other Financing Sources (Uses)	647,476.59			(6,463.59)
Net Change in Fund Balances	1,358,265.80			
Fund Balances, Beginning	1,022,064.76			93,543.75
Fund Balances, Ending	\$ 2,380,330.56	\$ 0.00	\$ 0.00	\$ 93,543.75

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		964,856.07	54,299.07
267,290.00		125,050.93	4,542,981.96
	1,043,816.55		14,794,416.71
		30,530.15	5,557,833.67
		461,112.97	30,530.15
	1,772.04	5,152.20	461,112.97
			567,292.84
<u>267,290.00</u>	<u>1,045,588.59</u>	<u>1,586,702.32</u>	<u>26,008,467.37</u>
			13,019,219.22
			1,520,138.45
			354,652.01
			614,402.70
			47,445.82
			213,130.93
			294,844.06
			370,757.99
163,857.56	119,646.73		963,990.94
			353,388.98
			363,481.52
		1,411,287.41	1,414,487.32
			334,950.10
			1,099,085.24
			2,145,304.88
			707,709.60
			8,958.31
	441,799.53	77,928.03	547,616.60
			138,700.75
	106,881.02	55,000.00	241,881.02
	3,140.04	25,121.54	42,149.08
<u>163,857.56</u>	<u>671,467.32</u>	<u>1,569,336.98</u>	<u>24,796,295.52</u>
<u>103,432.44</u>	<u>374,121.27</u>	<u>17,365.34</u>	<u>1,212,171.85</u>
			626,911.59
	227,858.19		227,858.19
	(620,448.00)		20,565.00
			(626,911.59)
	(392,589.81)		248,423.19
103,432.44	(18,468.54)	17,365.34	1,460,595.04
	530,991.51	254,701.69	1,901,301.71
<u>\$ 103,432.44</u>	<u>\$ 512,522.97</u>	<u>\$ 272,067.03</u>	<u>\$ 3,361,896.75</u>

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

Net Change in Fund Balances - Governmental Funds \$ 1,460,595.04

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

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

Fixed Capital Outlay	\$ 686,317.35	
Depreciation Expense	<u>(1,559,422.30)</u>	(873,104.95)

The donation of capital assets is not reported in the governmental funds as expenditures. However, in the statement of activities, the acquisition of the assets is reported as a revenue and the value at the date acquired is allocated over their estimated useful lives as depreciation expense. 566,583.68

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

Principal Payment - Bonds Payable	\$ 135,000.00	
Principal Payment - Obligation Under Capital Lease	<u>106,881.02</u>	241,881.02

The cost of an asset at the inception of a capital lease is reported as an other financing source in the governmental funds and contributes to the change in fund balance. In the statement of net assets, however, acquiring debt increases long-term liabilities and does not affect total net assets. This is the cost of the asset acquired. (227,858.19)

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. (784.00)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period. 93,072.13

Postemployment benefits costs are recoded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in the other postemployment benefits liability for the current fiscal year. (95,749.00)

Change in Net Assets - Governmental Activities \$ 1,164,635.73

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

**GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2010**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 294,641.00
LIABILITIES	
Accounts Payable	576.00
Internal Accounts Payable	294,065.00
Total Liabilities	\$ 294,641.00

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

**GILCHRIST COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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 Gilchrist County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Gilchrist County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Gilchrist County.

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

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, 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 District.

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Special Act Bonds Fund – to account for the accumulation of resources for, and the payment of debt principal, interest, and related costs for the 1990 Special Act Bonds.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources received from the State’s gross receipts tax revenues to be used for educational capital outlay needs, including new construction, maintenance, repairs, and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on a capital lease for the Skyward Enterprise Resource System.

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and

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

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

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys and amounts placed with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within Florida PRIME.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture 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 purchased during the year and are adjusted at fiscal year-end to reflect year-end physical inventory.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest cost

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

incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

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

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

➤ **Long-Term Liabilities**

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

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

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

Changes in long-term liabilities 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

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

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 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 Gilchrist County Property Appraiser, and property taxes are collected by the Gilchrist 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.

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 Gilchrist County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Education Impact Fees**

Gilchrist County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2005. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition, facility design and construction costs, furniture and equipment, and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. Because the educational impact fee is similar to a capital-type special assessment, it is reported as a program revenue in the government-wide financial statements.

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

➤ **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.

3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 2,443,784.34
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	3,720.38
Debt Service Accounts	6 Months	14,441.51
Total Investments, Reporting Entity		<u>\$ 2,461,946.23</u>

Note (1): Investments considered cash equivalents for financial statement reporting purposes.

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

Interest Rate Risk

- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to United States Treasury securities, certificates of deposit in State qualified public depositories, as well as the Local Government Surplus Funds Trust Fund. The District is an involuntary participant in Fund B.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

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

4. 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	\$ 288,351.13			\$ 288,351.13
Construction in Progress	877,783.91	566,583.68	1,444,367.59	
Total Capital Assets Not Being Depreciated	1,166,135.04	566,583.68	1,444,367.59	288,351.13
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,962,089.29	47,427.93		2,009,517.22
Buildings and Fixed Equipment	55,822,531.66	1,444,367.59		57,266,899.25
Furniture, Fixtures, and Equipment	2,205,457.96	135,251.73	227,076.44	2,113,633.25
Motor Vehicles	2,212,950.00	252,531.00	36,386.00	2,429,095.00
Property Under Capital Lease		227,858.19		227,858.19
Audio Visual Materials and Computer Software	593,078.53	23,248.50		616,327.03
Total Capital Assets Being Depreciated	62,796,107.44	2,130,684.94	263,462.44	64,663,329.94
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,463,066.93	71,982.51		1,535,049.44
Buildings and Fixed Equipment	13,760,862.23	1,180,670.47		14,941,532.70
Furniture, Fixtures, and Equipment	1,939,470.51	109,941.20	227,076.44	1,822,335.27
Motor Vehicles	1,559,670.31	121,897.71	35,602.00	1,645,966.02
Property Under Capital Lease		45,571.64		45,571.64
Audio Visual Materials and Computer Software	568,369.46	29,358.77		597,728.23
Total Accumulated Depreciation	19,291,439.44	1,559,422.30	262,678.44	20,588,183.30
Total Capital Assets Being Depreciated, Net	43,504,668.00	571,262.64	784.00	44,075,146.64
Governmental Activities Capital Assets, Net	<u>\$ 44,670,803.04</u>	<u>\$ 1,137,846.32</u>	<u>\$ 1,445,151.59</u>	<u>\$ 44,363,497.77</u>

The class of property under capital lease is presented in Note 5.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 121,897.71
Unallocated	1,437,524.59
Total Depreciation Expense - Governmental Activities	<u>\$ 1,559,422.30</u>

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

5. OBLIGATION UNDER CAPITAL LEASE

Enterprise resource software with a cost of \$227,858.19 is being acquired under a capital lease at an imputed interest rate of 4.5 percent. Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 92,717.00	\$ 89,306.97	\$ 3,410.03
2012	32,492.00	31,670.20	821.80
Total Minimum Lease Payments	\$ 125,209.00	\$ 120,977.17	\$ 4,231.83

6. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 335,000	5.0	2016
Series 2005B, Refunding	110,000	5.0	2020
Special Act Bonds:			
Series 1990	90,000	7.875	2011
Total Bonds Payable	\$ 535,000		

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

➤ **State School Bonds**

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

➤ **Special Act Bonds**

These bonds are authorized by Chapters 90-399 and 90-467, Laws of Florida, Special Acts of 1990, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Gilchrist County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section

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

212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	\$ 77,250.00	\$ 55,000.00	\$ 22,250.00
2012	79,500.00	60,000.00	19,500.00
2013	81,500.00	65,000.00	16,500.00
2014	78,250.00	65,000.00	13,250.00
2015	80,000.00	70,000.00	10,000.00
2016-2020	143,750.00	130,000.00	13,750.00
Total State School Bonds	540,250.00	445,000.00	95,250.00
Special Act Bonds:			
2011	93,543.75	90,000.00	3,543.75
Total	\$ 633,793.75	\$ 535,000.00	\$ 98,793.75

7. 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					
Obligation Under Capital Lease	\$	\$ 227,858.19	\$ 106,881.02	\$ 120,977.17	\$ 89,306.97
Bonds Payable	670,000.00		135,000.00	535,000.00	145,000.00
Compensated Absences Payable	902,933.32	172,041.09	265,113.22	809,861.19	265,113.22
Other Postemployment Benefits Payable	91,623.00	160,030.00	64,281.00	187,372.00	
Total Governmental Activities	\$ 1,664,556.32	\$ 559,929.28	\$ 571,275.24	\$ 1,653,210.36	\$ 499,420.19

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

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$75,257.03	\$
Special Revenue:		
ARRA Economic Stimulus		2,233.07
Capital Projects:		
Public Education Capital Outlay		73,023.96
Total	\$ 75,257.03	\$ 75,257.03

The receivables in the General Fund were for advances for paying obligations of the Special Revenue – ARRA Economic Stimulus Fund and the Capital Projects – Public Education Capital Outlay Fund. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$626,911.59	\$
Debt Service:		
Special Act Bonds		6,463.59
Capital Projects:		
Local Capital Improvement Fund		620,448.00
Total	\$ 626,911.59	\$ 626,911.59

The transfer from the Local Capital Improvement Fund to the General Fund was to repay the General Fund for expenditures that were capital in nature.

9. 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.

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

Because revenues of grants accounted for in the Special Revenue – Other Fund and 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 – Other Fund and the Special Revenue – ARRA Economic Stimulus Fund total \$71,573.90 and \$1,442.46, respectively, at June 30, 2010.

10. 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	\$ 10,849,970.00
Categorical Educational Program - Class Size Reduction	2,818,010.00
Gross Receipts Tax (Public Education Capital Outlay)	267,290.00
Voluntary Pre-K	228,869.41
School Recognition	155,538.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	24,658.98
Food Service Supplement	21,679.00
Mobile Home License Tax	16,142.11
Miscellaneous	412,259.21
Total	<u><u>\$ 14,794,416.71</u></u>

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

11. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.500	\$ 3,936,455.10
Basic Discretionary Local Effort	0.748	535,357.89
Critical Operating Needs	0.250	178,929.78
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,073,578.66
Total	<u><u>7.998</u></u>	<u><u>\$5,724,321.43</u></u>

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

12. 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.

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.

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

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	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

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 \$1,349,167.75, \$1,406,454.64, and \$1,361,679.59, respectively, which were equal to the required contributions for each fiscal year. There were 36 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$141,123.25.

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.

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The District’s postemployment benefits plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage

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

as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 30 retirees received other postemployment benefits. The District provided required contributions of \$64,281 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$154,118.19, which represents 1.36 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	\$ 85,596
Amortization of Unfunded Actuarial Accrued Liability	73,600
Annual Required Contribution	159,196
Interest on Net OPEB Obligation	3,665
Adjustment to Annual Required Contribution	(2,831)
Annual OPEB Cost (Expense)	160,030
Contribution Toward the OPEB Cost	(64,281)
Increase in Net OPEB Obligation	95,749
Net OPEB Obligation, Beginning of Year	91,623
Net OPEB Obligation, End of Year	\$ 187,372

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

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010, and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$ 0	0.0%	\$ 0
2008-09	155,904	41.2%	91,623
2009-10	160,030	40.2%	187,372

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

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

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

The District’s initial OPEB actuarial valuation as of June 30, 2008, used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and the District’s 2008-09 fiscal year annual required contribution. The District used the same assumptions as the actuary for the determination of the estimated unfunded actuarial liability as of June 30, 2010, and the District’s 2009-10 annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included an annual healthcare cost trend rate of 10 percent initially for the 2008-09 fiscal year, grading down to 5 percent over 20 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2010, was 28 years.

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

14. RISK MANAGEMENT PROGRAMS

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

The District also participates in an employee group health insurance program administered through the Consortium. The District’s participation is limited to dental, vision, life, and short-term disability insurance. Premiums charged to the districts are based on each individual district’s claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

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

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

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2008-09	\$ 16,945.89	\$ 186,401.99	\$ (177,225.96)	\$ 26,121.92
2009-10	26,121.92	184,091.44	(187,222.13)	22,991.23

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REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 54,299.07	\$ 54,299.07	\$
Federal Through State and Local State	14,455,045.25	14,302,075.78	14,302,075.78	
Local:				
Property Taxes	4,438,045.00	4,733,537.77	4,514,017.12	(219,520.65)
Miscellaneous	340,334.08	340,334.08	559,854.73	219,520.65
Total Revenues	19,283,424.33	19,430,246.70	19,430,246.70	
Expenditures				
Current - Education:				
Instruction	10,375,038.20	10,545,565.51	10,370,568.35	174,997.16
Pupil Personnel Services	940,271.18	976,377.59	966,473.85	9,903.74
Instructional Media Services	366,786.08	370,289.19	354,652.01	15,637.18
Instruction and Curriculum Development Services	443,489.03	495,214.32	482,249.88	12,964.44
Instructional Staff Training Services	66,222.47	39,848.42	36,064.03	3,784.39
Instruction Related Technology	170,820.02	206,836.06	197,758.74	9,077.32
School Board	270,753.02	296,745.02	294,681.28	2,063.74
General Administration	259,676.06	289,421.52	270,653.37	18,768.15
School Administration	1,022,596.06	981,438.86	963,990.94	17,447.92
Facilities Acquisition and Construction	186,464.19	69,884.69	69,884.69	
Fiscal Services	332,670.85	377,762.47	363,481.52	14,280.95
Food Services		2,899.91	2,899.91	
Central Services	347,081.02	349,419.92	334,842.45	14,577.47
Pupil Transportation Services	1,210,620.09	1,130,355.60	1,095,653.83	34,701.77
Operation of Plant	2,435,387.98	2,157,015.55	2,145,278.80	11,736.75
Maintenance of Plant	948,171.18	748,010.73	707,709.60	40,301.13
Administrative Technology Services	4,900.00	9,245.82	8,958.31	287.51
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction		27,889.04	27,889.04	
Other Capital Outlay		25,766.89	25,766.89	
Total Expenditures	19,380,947.43	19,099,987.11	18,719,457.49	380,529.62
Excess (Deficiency) of Revenues Over Expenditures	(97,523.10)	330,259.59	710,789.21	380,529.62
Other Financing Sources (Uses)				
Transfers In	675,430.74	626,911.59	626,911.59	
Insurance Loss Recoveries		20,565.00	20,565.00	
Transfers Out	(100,000.00)			
Total Other Financing Sources	575,430.74	647,476.59	647,476.59	
Net Change in Fund Balances	477,907.64	977,736.18	1,358,265.80	380,529.62
Fund Balances, Beginning	1,202,528.95	1,022,064.76	1,022,064.76	
Fund Balances, Ending	\$ 1,680,436.59	\$ 1,999,800.94	\$ 2,380,330.56	\$ 380,529.62

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,815,839.97	\$ 2,593,336.70	\$ 2,076,651.00	\$ (516,685.70)	\$ 1,830,844.00	\$ 1,962,341.91	\$ 1,501,474.89	\$ (460,867.02)
	104.31	104.31			58.47	58.47	
1,815,839.97	2,593,441.01	2,076,755.31	(516,685.70)	1,830,844.00	1,962,400.38	1,501,533.36	(460,867.02)
1,296,273.56	1,961,910.34	1,598,323.40	363,586.94	1,132,584.40	1,226,857.16	1,050,327.47	176,529.69
275,087.29	345,055.14	245,740.31	99,314.83	629,314.04	571,045.57	307,924.29	263,121.28
110,078.04	137,806.96	132,152.82	5,654.14				
43,441.00	15,673.01	11,381.79	4,291.22	1,200.00	1,200.00		1,200.00
5,371.00	4,458.71	4,458.71		10,133.00	10,913.48	10,913.48	
	104.31	104.31		3,132.56	58.47	58.47	
34,598.08	60,809.99	60,809.99		30,736.00	59,310.68	39,294.63	20,016.05
200.00							
				23,744.00	300.00	300.00	
7,356.00	107.65	107.65					
42,935.00	15,474.98	3,431.41	12,043.57				
300.00	26.08	26.08					
200.00							
	52,013.84	20,218.84	31,795.00		92,715.02	92,715.02	
1,815,839.97	2,593,441.01	2,076,755.31	516,685.70	1,830,844.00	1,962,400.38	1,501,533.36	460,867.02
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

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

**GILCHRIST 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.

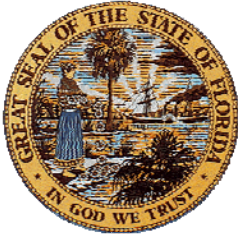
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GILCHRIST 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	\$ 214,669.52
National School Lunch Program	10.555	300	668,569.50
Summer Food Service Program for Children	10.559	323	14,649.30
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	113,096.84
Total Child Nutrition Cluster			1,010,985.16
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	23,744.00
Total United States Department of Agriculture			1,034,729.16
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	607,276.55
Special Education - Preschool Grants	84.173	267	35,152.54
ARRA - Special Education Grants to States, Recovery Act	84.391	263	323,355.52
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	18,405.00
Marion County District School Board:			
Special Education - Grants to States	84.027	None	10,607.65
Total Special Education Cluster			994,797.26
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	716,851.05
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	222,357.82
Total Title I, Part A Cluster			939,208.87
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	4,458.71
ARRA - Education Technology State Grants, Recovery Act	84.386	121	10,913.48
Total Educational Technology State Grants Cluster			15,372.19
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	836,603.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	64,464.84
Total State Stabilization Fund Cluster			901,067.84
Florida Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	151, 161	59,548.42
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	14,775.38
Twenty-First Century Community Learning Centers	84.287	244	472,533.35
Rural Education	84.358	110	20,255.08
Improving Teacher Quality State Grants	84.367	224	145,799.92
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	1,631.23
Total United States Department of Education			3,564,989.54
United States Department of Homeland Security:			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	369,139.37
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	54,299.07
Total Expenditures of Federal Awards			\$ 5,023,157.14

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

(2) Noncash Assistance.
 (A) National School Lunch Program - Represents the amount of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation. This amount also includes \$26,053.92 of after school snacks.
 (B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gilchrist County District School Board as of and for the fiscal year ended June 30, 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, as described in our report on the Gilchrist County District School Board's financial statements. For the school internal funds, 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. However, we identified a certain deficiency in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention of those charged with governance.

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 a certain additional matter that is discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

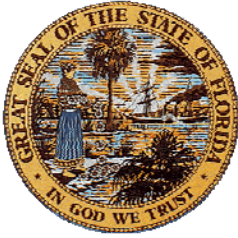
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
March 4, 2011



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 Gilchrist 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal 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
March 4, 2011

**GILCHRIST 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)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be 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 *Circular A-133*? No

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA); and Twenty-First Century Community Learning Centers (CFDA No. 84.287)

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

Auditee qualified as low-risk auditee? Yes

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

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District’s annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles.

Our review of the District’s 2009-10 fiscal year annual financial report, as presented for audit, disclosed that procedures made for reporting information on the financial statements could be improved. For example, on the statement of net assets, the District overreported invested in net assets, net of related debt, and understated unrestricted net assets approximately \$1.4 million each because of certain clerical errors, potentially causing financial statement users to incorrectly assess the District’s financial position. We were able to extend our audit procedures to determine the adjustments necessary for the fair presentation of the District’s basic financial statements, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate control procedures over financial reporting. Similar findings were noted in previous audit reports, most recently in our report No. 2010-073.

Recommendation: To facilitate proper financial reporting, the District should enhance procedures to ensure that the financial statement amounts are properly reported.

ADDITIONAL MATTER

Finding No. 2: Ad Valorem Taxation

Section 1011.71(2), Florida Statutes, provides that the Board may levy against the taxable value not more than 1.5 mills for specified capital outlay related purposes. Section 1011.71(5), Florida Statutes, provides that the District may expend up to \$100 per unweighted full-time equivalent student from the revenue generated by the tax levy for certain specified purposes, including paying the cost of premiums for property and casualty insurance necessary to insure school district educational and ancillary plants. The District accounts for the capital outlay tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

The District is a member of the North East Florida Educational Consortium (NEFEC) and participates in NEFEC’s Risk Management Program relating to property and casualty insurance. Several districts established the program, self-sustained through member assessments (premiums), as a combined limited self-insurance program for property

protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of NEFEC. NEFEC assessed the participating districts their applicable premiums without identifying the portions of the premium that were applicable to the specific coverage areas, and the District used capital outlay tax levy proceeds, totaling \$324,979 for these premiums to participate in the program during the 2009-10 fiscal year. However, the premium costs included some purposes other than insurance for educational and ancillary plants, such as excess workers' compensation, school board liability, claims processing costs for a third party administrator, and various administrative costs. District personnel did not, of record, determine that the premium amount funded by the LCI Fund related solely to property and casualty insurance to insure the District's educational and ancillary plants. Consequently, District records did not evidence that the use of the capital outlay tax levy proceeds for self-insurance premiums was consistent with Section 1011.71(5), Florida Statutes. In addition, the amount transferred exceeded, by \$63,773, the amount allowed by law based on the statutory limit of \$100 per unweighted full-time equivalent student. Accordingly, these expenditures of capital outlay tax levy proceeds totaling \$324,979 represent questioned costs.

Without adequate controls to ensure that capital outlay tax levy proceeds are expended for authorized capital outlay purposes, the risk is increased that the District will violate applicable expenditure restrictions. Section 1011.71(6), Florida Statutes, provides that a district that violates the expenditure restrictions of Section 1011.71, Florida Statutes, shall have an equal dollar reduction in Florida Education Finance Program funds appropriated to the district in the fiscal year following the audit citation.

Recommendation: The District should enhance its procedures to ensure that capital outlay tax levy proceeds are expended only for authorized purposes. In addition, the District should document the allowability of using capital outlay tax levy proceeds for premiums paid to participate in the NEFEC Risk Management Program or restore questioned costs totaling \$324,979 to the LCI Fund.

FEDERAL AWARDS FINDINGS

There were no 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 has taken corrective actions for findings included in our report No. 2010-073.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY OF PRIOR AUDIT FINDINGS

*GILCHRIST 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
2010-073 (1)	ARRA: Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education - Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) - Education Grants, Recovery Act (CFDA No. 84.394); State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act (CFDA No. 84.397)/Reporting and Special Tests and Provisions	Contrary to registration requirements for Federal awards, the District did not timely register in the Central Contractor Registration database.	Corrected.	The District registered with the CCR on September 25, 2009 and has established appropriate procedures to ensure the CCR registration is updated on a timely basis.

EXHIBIT A
MANAGEMENT'S RESPONSE

GILCHRIST COUNTY SCHOOL BOARD

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FAX (352) 463-3276

Don Thomas, Superintendent
www.gilchristschools.org

District 1
Cloud Haley

District 2
Bob Clemons

District 3
Robert Rankin



District 4
Julie Thomas

District 5
K. Michelle Carter

Board Attorney
Sheree Lancaster

February 11, 2011

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

Dear Mr. Martin,

Once again, it was a pleasure to have members of your staff conduct the audit of the Gilchrist County School Board.

Please accept the following as our response to the preliminary and tentative audit findings as required by law:

Finding No. 1: Financial Reporting – The District will enhance procedures to ensure that the financial statements amounts are properly reported.

Finding No. 2: Ad Valorem Taxation – The District will make every effort to ensure that ad valorem tax levies are used properly.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Don Thomas".

Don Thomas
Superintendent