

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2011



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	<u>District No.</u>
Jesse J. Moore, Jr. to 11-15-10	1
Archie Kittles from 3-14-11 (1)	1
Stacey Shuford Creighton	2
Randy Jones, Vice Chair from 11-16-10	3
Vivian O. Chappell, Vice Chair to 11-15-10, Chair from 11-16-10	4
David B. Smith, Jr. to 11-15-10, Chair	5
Roman Alvarez from 11-16-10	5

Dr. Beth Moore, Superintendent

(1) Position remained vacant from 11-16-10 to 3-13-11.

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 was coordinated by Cathy L. Bandy, 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.

BRADFORD COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 2: The District's information technology (IT) disaster recovery plan could be enhanced.

Finding No. 3: The District lacked written policies and procedures for certain IT functions.

Finding No. 4: The District had not classified its IT data according to sensitivity or level of significance, or maintained documentation of user access authorization.

Finding No. 5: The District had not implemented an IT security awareness training program.

Finding No. 6: The District did not have a formal program change methodology that documented the IT program change process and did not restrict programmers from accessing or updating production programs and data.

Finding No. 7: Certain IT security controls related to logging, user authentication, and data loss prevention needed improvement.

Finding No. 8: The District did not have a written IT security incident response plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; Education Technology State Grants; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Bradford 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. 2011-120.

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, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bradford County District School Board, as of and for the fiscal year ended June 30, 2011, 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 50 percent of the assets and 92 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Bradford County Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Bradford County District School Board as of June 30, 2011, 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 Bradford 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, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, 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
February 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District of Bradford County, Florida's (District) discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2011, based on currently known facts, decisions, or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the five elected members of the School Board (Board). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- The District's financial status was relatively stable for the 2010-11 fiscal year. Over the course of the fiscal year, total net assets increased from \$32.2 million to \$34.9 million.
- General revenues accounted for \$31.1 million, or 92 percent, of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2.7 million, or 8 percent of total revenues of \$33.8 million.
- The District had \$31.1 million in expenses. Only \$2.7 million was offset by program specific charges for services, grants, or contributions. General revenues, primarily ad valorem taxes and Florida Education Finance Program revenues, were used to provide for the remaining expenses of these programs.
- The General Fund (the primary operating fund), reported on a current financial resources basis, ended the fiscal year with a fund balance of \$4.3 million, which is \$1.6 million higher than the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report includes various parts, such as the MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Districtwide financial statements*, which provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements*, which focus on *individual parts* of the District, reporting the District's operations *in more detail* than the Districtwide statements. Included in the fund financial statements are *governmental funds* that tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending. Also, *fiduciary funds* financial statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

	Districtwide Statements	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities moneys.
<i>Required financial statements</i>	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus

The table above summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Districtwide Statements

The Districtwide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District’s nonfiduciary assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Districtwide statements report the District’s *net assets* and how they have changed. Net assets – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall financial health, the reader needs to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the Districtwide financial statements, the District’s activities are divided into two categories:

- *Governmental activities* – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of the activities.
- *Component unit* – The District has one separate legal entity in this report, the Bradford County Education Foundation, Inc. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like Federal grants).

The District has the following types of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Districtwide statements, the District provides additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, including the Foster Shi – Mary Anne Smith Scholarship Trust, the Richard Jockel Scholarship Trust, the Marissa Sellars Scholarship Trust, and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Districtwide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$34.9 million at June 30, 2011. The largest portion of the District's net assets (89 percent) reflects its investment in capital assets (i.e., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities. An additional portion of the District's net assets (\$2.1 million) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net assets of governmental activities represent the accumulated results of all past years' operations.

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, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-11	6-30-10
Current and Other Assets	\$ 6,694,048.81	\$ 4,841,941.84
Capital Assets	31,587,783.85	31,522,018.13
Total Assets	38,281,832.66	36,363,959.97
Long-Term Liabilities	2,756,831.22	3,431,311.04
Other Liabilities	648,277.60	756,543.60
Total Liabilities	3,405,108.82	4,187,854.64
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	31,098,503.00	30,927,370.49
Restricted	2,110,716.35	1,713,261.04
Unrestricted (Deficit)	1,667,504.49	(464,526.20)
Total Net Assets	\$ 34,876,723.84	\$ 32,176,105.33

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	\$ 995,787.46	\$ 956,422.66
Operating Grants and Contributions	1,112,622.95	1,113,896.35
Capital Grants and Contributions	583,513.55	466,982.88
General Revenues:		
Property Taxes, Levied for Operational Purposes	5,824,095.31	5,932,628.28
Property Taxes, Levied for Capital Projects	1,133,366.69	1,153,577.38
Grants and Contributions Not Restricted to Specific Programs	23,661,744.40	22,349,626.66
Unrestricted Investment Earnings	649.78	4,123.02
Miscellaneous	533,288.19	203,753.78
Total Revenues	33,845,068.33	32,181,011.01
Functions/Program Expenses:		
Instruction	16,500,383.16	16,533,577.84
Pupil Personnel Services	1,123,492.02	1,200,279.21
Instructional Media Services	359,266.90	371,060.32
Instruction and Curriculum Development Services	546,333.86	912,888.39
Instructional Staff Training Services	669,888.35	306,771.26
Instruction Related Technology	350,003.19	127,829.54
School Board	326,194.72	370,651.62
General Administration	323,163.88	318,385.00
School Administration	1,801,856.82	1,899,409.94
Facilities Acquisition and Construction	1,500.00	66,997.37
Fiscal Services	297,894.32	289,763.00
Food Services	1,497,845.97	1,533,659.44
Central Services	227,199.91	230,134.75
Pupil Transportation Services	1,727,805.47	1,716,452.58
Operation of Plant	2,609,477.13	2,748,321.25
Maintenance of Plant	694,485.99	768,280.51
Administrative Technology Services	343,079.64	314,432.94
Community Services	126,663.29	121,860.46
Unallocated Interest on Long-Term Debt	29,873.59	35,137.25
Unallocated Depreciation Expense	1,588,041.61	1,521,555.25
Total Functions/Program Expenses	31,144,449.82	31,387,447.92
Increase in Net Assets	\$ 2,700,618.51	\$ 793,563.09

The largest revenue source is the State of Florida (52 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.

Grants and contributions not restricted to specific programs increased by \$1.3 million mainly due to the \$1.1 million Education Technology grant, which was used largely for instructional staff training, instructional related technology, and technology equipment.

The results of this year’s operations for the District as a whole are reported in the statement of activities. The table above takes the information from that statement and rearranges it slightly so the reader can readily see the total revenues for the fiscal year.

As reported in the statement of activities, the cost of all of the governmental activities this year was \$31.1 million. The amount that the taxpayers ultimately financed for governmental activities was \$28.4 million because some of the funding was provided by those who benefited from the programs (\$1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$1.7 million). The remaining “public benefit” portion of the governmental activities was financed with \$7.0 million in ad valorem taxes, \$23.7 million in grants and contributions not restricted to specific programs, and \$0.5 million with other general revenues.

In the following table, the District has presented the cost of each of its four largest functional groupings – instruction, instructional support services, district/school administration, and operation and maintenance of plant, as well as each program’s net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

	Governmental Activities	
	Year Ended June 30, 2011	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 16,500,383.16	\$ 16,128,517.45
Instructional Support Services	3,048,984.32	3,048,984.32
District/School Administration	3,319,389.29	3,274,273.67
Operation and Maintenance of Plant	3,305,463.12	2,835,611.21
Total Expenses	\$ 26,174,219.89	\$ 25,287,386.65

The dependence upon tax revenues for governmental activities is apparent. Over 96 percent of these top four activities are supported through taxes and other general revenues. The community, as a whole, is by far the primary support for the District’s students.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The General Fund is the District’s chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$3.2 million, while the total fund balance is \$4.3 million. Total fund balance increased by \$1.6 million during the fiscal year. The key factors in this increase are the use of Federal Economic Stimulus funds for items which would have been funded by General Fund. It should be noted that much of the increase in fund balance will be used during the 2011-12 fiscal year to offset the decline in State funding.

The Special Revenue – Other Fund is used to account for Federal grant programs, and allowed expenditures are specified by grant agreements. Since the revenues in the fund are equal to amounts expended, there is no ending fund balance.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$2.6 million each, and the funding was mainly used for instructional salaries. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$1.4 million, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased \$0.2 million as a result of decreased expenditures since there were no major capital projects and no buses purchased during the 2010-11 fiscal year. There are no significant construction contracts at June 30, 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State of Florida has been, and continues to be, in a budget crisis. Since the majority of the funding for Bradford County Schools comes from the State, and the District continued to experience declining enrollment, the Board is also in a budget crisis. During the 2010-11 fiscal year, the Board lost over \$.2 million in FEFP funding based on cuts from the State and declining enrollment. However, the Board received over \$1.7 million in Federal Economic Stimulus Stabilization and Education Jobs Fund moneys to offset the FEFP reductions. Over the course of the fiscal year, the District revises its budget and brings amendments to the Board on a monthly basis. These amendments are needed to adjust to actual revenues received and direct resources where needed. The Board approves the final amendment to the budget after year-end. The major changes in the General Fund budget, other than those discussed previously, were due to the receipt of grants.

There were no significant changes between original and final budgeted revenues and expenditures. Actual revenues were in line with final budgeted amounts while actual expenditures were \$1.5 million less than final budgeted amounts. The District implemented cost saving strategies, such as reduction of staff through attrition, to compensate for the future expected decrease in Federal economic stimulus funds.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of June 30, 2011, amounts to \$31.6 million (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.

There were no major capital asset events during the current fiscal year.

Long-Term Debt

At June 30, 2011, the District has total long-term debt outstanding of \$0.5 million, comprised of \$420,000 bonds payable and \$69,281 capital leases. During the current fiscal year, retirement of debt amounted to \$105,367 and no new debt was issued.

OTHER MATTERS OF SIGNIFICANCE

As noted previously, the State of Florida is currently in a budget crisis. The District's 2011-12 FEFP budget is lower than the previous year by \$1,115,324. In addition, the District continues to experience declining enrollment, although the enrollment does appear to be stabilizing.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to:

Julee Tinsler, CPA
Finance Director
Bradford County District School Board
501 West Washington Street
Starke, Florida 32091.

BASIC FINANCIAL STATEMENTS

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2011**

	<u>Primary Government</u> Governmental Activities	<u>Component</u> Unit
ASSETS		
Cash and Cash Equivalents	\$ 6,199,855.62	\$ 3,569.00
Investments	11,485.65	127,797.00
Accounts Receivable	15,076.72	197.00
Due from Fiscal Agent	71,537.33	
Due from Other Agencies	218,308.09	
Inventories	177,785.40	
Capital Assets:		
Nondepreciable Capital Assets	489,359.10	
Depreciable Capital Assets, Net	31,098,424.75	
TOTAL ASSETS	<u>\$ 38,281,832.66</u>	<u>\$ 131,563.00</u>
LIABILITIES		
Payroll Deductions and Withholdings	\$ 228,008.06	\$
Accounts Payable	418,222.80	
Deferred Revenue	2,046.74	
Long-Term Liabilities:		
Portion Due Within One Year	315,836.96	
Portion Due After One Year	2,440,994.26	
Total Liabilities	<u>3,405,108.82</u>	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	31,098,503.00	
Restricted for:		
State Required Carryover Programs	327,747.53	
Debt Service	11,485.65	
Capital Projects	1,771,398.09	
Food Service	85.08	
Unrestricted	1,667,504.49	131,563.00
Total Net Assets	<u>34,876,723.84</u>	<u>131,563.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,281,832.66</u>	<u>\$ 131,563.00</u>

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

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**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 16,500,383.16	\$ 371,865.71	\$	\$
Pupil Personnel Services	1,123,492.02			
Instructional Media Services	359,266.90			
Instruction and Curriculum Development Services	546,333.86			
Instructional Staff Training Services	669,888.35			
Instruction Related Technology	350,003.19			
School Board	326,194.72			
General Administration	323,163.88			
School Administration	1,801,856.82			
Facilities Acquisition and Construction	1,500.00			27,184.91
Fiscal Services	297,894.32	45,115.62		
Food Services	1,497,845.97	412,359.91	1,112,622.95	
Central Services	227,199.91			
Pupil Transportation Services	1,727,805.47			
Operation of Plant	2,609,477.13			
Maintenance of Plant	694,485.99			442,667.00
Administrative Technology Services	343,079.64			
Community Services	126,663.29	166,446.22		
Unallocated Interest on Long-Term Debt	29,873.59			113,661.64
Unallocated Depreciation Expense*	1,588,041.61			
Total Primary Government	\$ 31,144,449.82	\$ 995,787.46	\$ 1,112,622.95	\$ 583,513.55
Component Unit				
Bradford County Education Foundation, Inc.	\$ 87,958.00	\$ 0.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

* 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.

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (16,128,517.45)	\$
(1,123,492.02)	
(359,266.90)	
(546,333.86)	
(669,888.35)	
(350,003.19)	
(326,194.72)	
(323,163.88)	
(1,801,856.82)	
25,684.91	
(252,778.70)	
27,136.89	
(227,199.91)	
(1,727,805.47)	
(2,609,477.13)	
(251,818.99)	
(343,079.64)	
39,782.93	
83,788.05	
<u>(1,588,041.61)</u>	
<u>(28,452,525.86)</u>	
	<u>(87,958.00)</u>
5,824,095.31	
1,133,366.69	
23,661,744.40	27,325.00
649.78	8,642.00
<u>533,288.19</u>	<u>31,340.00</u>
<u>31,153,144.37</u>	<u>67,307.00</u>
2,700,618.51	(20,651.00)
<u>32,176,105.33</u>	<u>152,214.00</u>
<u>\$ 34,876,723.84</u>	<u>\$ 131,563.00</u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,428,166.01	\$	\$
Investments			
Accounts Receivable	10,527.59	4,549.13	
Due from Fiscal Agent	71,537.33		
Due from Other Funds	189,280.91		
Due from Other Agencies	67,982.84	130,545.89	17,153.22
Inventories	141,538.57		
	<u>\$ 4,909,033.25</u>	<u>\$ 135,095.02</u>	<u>\$ 17,153.22</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 228,008.06	\$	\$
Accounts Payable	418,222.80		
Due to Other Funds		133,048.28	17,153.22
Deferred Revenue		2,046.74	
	<u>646,230.86</u>	<u>135,095.02</u>	<u>17,153.22</u>
Total Liabilities			
Fund Balances:			
Nonspendable:			
Inventory	141,538.57		
Restricted for:			
State Required Carryover Programs	327,747.53		
Debt Service			
Capital Projects			
Total Restricted Fund Balance	<u>327,747.53</u>		
Assigned to:			
Board Approved Budget Items	531,327.68		
Other	71,537.33		
Total Assigned Fund Balance	<u>602,865.01</u>		
Unassigned Fund Balance	<u>3,190,651.28</u>		
	<u>4,262,802.39</u>		
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,909,033.25</u>	<u>\$ 135,095.02</u>	<u>\$ 17,153.22</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,368,982.39	\$ 402,707.22	\$ 6,199,855.62
	11,485.65	11,485.65
		15,076.72
		71,537.33
		189,280.91
	2,626.14	218,308.09
	36,246.83	177,785.40
<u>\$ 1,368,982.39</u>	<u>\$ 453,065.84</u>	<u>\$ 6,883,329.72</u>
\$	\$	\$ 228,008.06
		418,222.80
	39,079.41	189,280.91
		2,046.74
<u></u>	<u>39,079.41</u>	<u>837,558.51</u>
	36,246.83	177,785.40
		327,747.53
	11,485.65	11,485.65
1,368,982.39	402,415.70	1,771,398.09
<u>1,368,982.39</u>	<u>413,901.35</u>	<u>2,110,631.27</u>
		531,327.68
		71,537.33
		602,865.01
	(36,161.75)	3,154,489.53
<u>1,368,982.39</u>	<u>413,986.43</u>	<u>6,045,771.21</u>
<u>\$ 1,368,982.39</u>	<u>\$ 453,065.84</u>	<u>\$ 6,883,329.72</u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total Fund Balances - Governmental Funds \$ 6,045,771.21

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. 31,587,783.85

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Obligation Under Capital Lease	\$ 69,280.85	
Bonds Payable	420,000.00	
Compensated Absences Payable	2,146,530.37	
Other Postemployment Benefits Payable	121,020.00	(2,756,831.22)

Total Net Assets - Governmental Activities \$ 34,876,723.84

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

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**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 61,531.42	\$ 346,663.27	\$
Federal Through State and Local	195,313.04	3,497,132.19	2,584,878.98
State	16,989,144.24		
Local:			
Property Taxes	5,824,095.31		
Charges for Services	583,427.55		
Miscellaneous	530,609.83		
Total Revenues	<u>24,184,121.39</u>	<u>3,843,795.46</u>	<u>2,584,878.98</u>
Expenditures			
Current - Education:			
Instruction	12,848,200.37	2,243,965.86	1,763,680.66
Pupil Personnel Services	1,005,282.95	82,661.74	64,130.56
Instructional Media Services	187,907.30		180,258.66
Instruction and Curriculum Development Services	297,665.98	251,896.23	9,137.01
Instructional Staff Training Services	158,410.65	334,040.99	187,942.08
Instruction Related Technology	90,103.73	257,185.17	4,552.75
School Board	330,077.66		
General Administration	296,282.37	33,992.46	
School Administration	1,537,574.35		311,178.11
Facilities Acquisition and Construction	1,500.00		
Fiscal Services	303,481.84		
Food Services	57,012.28		
Central Services	232,094.01		
Pupil Transportation Services	1,494,744.86	486.54	
Operation of Plant	2,629,068.09		
Maintenance of Plant	686,376.43		
Administrative Technology Services	348,972.96		
Community Services	129,507.08		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	90,421.02	8,377.82	
Other Capital Outlay	79,595.78	631,188.65	63,999.15
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>22,804,279.71</u>	<u>3,843,795.46</u>	<u>2,584,878.98</u>
Excess of Revenues Over Expenditures	<u>1,379,841.68</u>		
Other Financing Sources (Uses)			
Transfers In	218,763.46		
Transfers Out			
Total Other Financing Sources (Uses)	<u>218,763.46</u>		
Net Change in Fund Balances	1,598,605.14		
Fund Balances, Beginning	2,664,197.25		
Fund Balances, Ending	<u>\$ 4,262,802.39</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	1,082,087.95	408,194.69
	604,408.54	7,359,412.16
		17,593,552.78
1,133,366.69		6,957,462.00
	412,359.91	995,787.46
	49.44	530,659.27
<u>1,133,366.69</u>	<u>2,098,905.84</u>	<u>33,845,068.36</u>
		16,855,846.89
		1,152,075.25
		368,165.96
		558,699.22
		680,393.72
		351,841.65
		330,077.66
		330,274.83
		1,848,752.46
		1,500.00
		303,481.84
	1,457,123.90	1,514,136.18
		232,094.01
		1,495,231.40
		2,629,068.09
		686,376.43
		348,972.96
		129,507.08
523,144.53	313,820.89	935,764.26
189,502.38	32,909.16	997,195.12
15,366.79	90,000.00	105,366.79
3,681.29	26,192.30	29,873.59
<u>731,694.99</u>	<u>1,920,046.25</u>	<u>31,884,695.39</u>
<u>401,671.70</u>	<u>178,859.59</u>	<u>1,960,372.97</u>
		218,763.46
<u>(191,343.50)</u>	<u>(27,419.96)</u>	<u>(218,763.46)</u>
<u>(191,343.50)</u>	<u>(27,419.96)</u>	
210,328.20	151,439.63	1,960,372.97
1,158,654.19	262,546.80	4,085,398.24
<u>\$ 1,368,982.39</u>	<u>\$ 413,986.43</u>	<u>\$ 6,045,771.21</u>

**BRADFORD 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, 2011**

Net Change in Fund Balances - Governmental Funds \$ 1,960,372.97

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 capital outlays in excess of depreciation expense in the current fiscal year. 45,375.80

In the governmental funds, the cost of capital 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. 20,389.92

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 fiscal year.

Obligation Under Capital Lease	\$ 15,366.79	
Bonds Payable	<u>90,000.00</u>	105,366.79

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 558,685.03

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year. 10,428.00

Change in Net Assets - Governmental Activities \$ 2,700,618.51

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2011**

	Private-Purpose Trust Funds
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	\$ 3,278.70
DEDUCTIONS	
Scholarship Payments	1,000.00
Change in Net Assets	2,278.70
Net Assets - Beginning	26,617.43
Net Assets - Ending	\$ 28,896.13

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Bradford County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Bradford County School District (District) is considered part of the Florida system of public education. The governing body of the District is the 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 Bradford 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 the application of these criteria, the following component unit is included within the District's reporting entity:

- Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Bradford County Education Foundation, Inc. (Foundation), which was formed to recognize student achievement, reward teacher development, and promote the Bradford County Public School System. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2011. The audit report is filed in the District's administrative offices.

➤ **Basis of Presentation**

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Fund – to account for resources of the Foster Shi – Mary Anne Smith, Richard Jockel, and Marissa Sellars Scholarship Trust Funds.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

Government-wide financial statements are prepared using the accrual basis of accounting, as are 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 judgments, other

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **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 investment pool created by Section 218.405, Florida Statutes. The investment pool operates 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, 2011, 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.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

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

➤ **Capital Assets**

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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	25 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	7 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 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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Fund. A portion of the fund balance of the General Fund is restricted 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 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 Bradford County Property Appraiser, and property taxes are collected by the Bradford County Tax Collector.

The Board adopted the 2010 tax levy on September 13, 2010. 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 Bradford County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

- 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, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 22,640.35
Debt Service Accounts	6 Months	11,485.65
Total Investments, Primary Government		<u>\$ 34,126.00</u>

Notes: (1) Investment reported as a cash equivalent for financial statement reporting purposes.

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 31 days at June 30, 2011. 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.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, 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 does not have a formal investment policy that would further limit its investment choices.
- 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, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Balance	Additions	Deletions	Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 489,359.10	\$	\$	\$ 489,359.10
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,257,866.53	45,154.58		3,303,021.11
Buildings and Fixed Equipment	45,895,609.64	889,109.68		46,784,719.32
Furniture, Fixtures, and Equipment (1)	6,599,825.37	842,936.12	3,504,742.86	3,938,018.63
Motor Vehicles	4,302,770.69	83,761.00	201,104.27	4,185,427.42
Property Under Capital Lease	151,465.00			151,465.00
Audio Visual Materials and Computer Software	1,367,452.45	29,756.50	1,288,907.93	108,301.02
Total Capital Assets Being Depreciated	61,574,989.68	1,890,717.88	4,994,755.06	58,470,952.50
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,657,378.95	110,574.30		1,767,953.25
Buildings and Fixed Equipment	19,434,537.87	905,251.97		20,339,789.84
Furniture, Fixtures, and Equipment (1)	5,326,511.11	482,540.13	3,525,132.78	2,283,918.46
Motor Vehicles	2,897,938.87	257,300.47	201,104.27	2,954,135.07
Property Under Capital Lease	18,933.95	3,786.83		22,720.78
Audio Visual Materials and Computer Software	1,207,029.90	85,888.38	1,288,907.93	4,010.35
Total Accumulated Depreciation	30,542,330.65	1,845,342.08	5,015,144.98	27,372,527.75
Total Capital Assets Being Depreciated, Net	31,032,659.03	45,375.80	(20,389.92)	31,098,424.75
Governmental Activities Capital Assets, Net	\$ 31,522,018.13	\$ 45,375.80	\$ (20,389.92)	\$ 31,587,783.85

Note (1): Includes adjustments to decrease property values based on District property at June 30, 2011, resulting in a decrease to net assets of \$20,389.92.

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 257,300.47
Unallocated	1,588,041.61
	\$ 1,845,342.08
Total Depreciation Expense - Governmental Activities	\$ 1,845,342.08

5. OBLIGATION UNDER CAPITAL LEASE

The class and amount of property being acquired under capital lease is as follows:

	Asset Balance
Relocatable Classrooms	\$151,465.00

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
2012	\$ 19,048.08	\$ 16,111.20	\$ 2,936.88
2013	19,048.08	16,891.69	2,156.39
2014	19,048.08	17,709.98	1,338.10
2015	19,048.08	18,567.98	480.10
	\$ 76,192.32	\$ 69,280.85	\$ 6,911.47
Total Minimum Lease Payments	\$ 76,192.32	\$ 69,280.85	\$ 6,911.47

The stated interest rate is 4.74 percent.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

6. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2002B	\$ 405,000	4.000 - 5.375	2015
Series 2005A	<u>15,000</u>	5.0	2016
Total Bonds Payable	<u>\$ 420,000</u>		

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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	\$ 116,212.50	\$ 95,000.00	\$ 21,212.50
2013	122,412.50	105,000.00	17,412.50
2014	116,787.50	105,000.00	11,787.50
2015	116,162.50	110,000.00	6,162.50
2016	<u>5,250.00</u>	<u>5,000.00</u>	<u>250.00</u>
Total	<u>\$ 476,825.00</u>	<u>\$ 420,000.00</u>	<u>\$ 56,825.00</u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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	\$ 84,647.64	\$	\$ 15,366.79	\$ 69,280.85	\$ 16,111.20
Bonds Payable	510,000.00		90,000.00	420,000.00	95,000.00
Compensated Absences Payable	2,705,215.40	304,421.02	863,106.05	2,146,530.37	204,725.76
Other Postemployment Benefits Payable	131,448.00	121,384.00	131,812.00	121,020.00	
Total Governmental Activities	<u>\$ 3,431,311.04</u>	<u>\$425,805.02</u>	<u>\$ 1,100,284.84</u>	<u>\$2,756,831.22</u>	<u>\$ 315,836.96</u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. Due to the nature of the liability there is no amount of other postemployment benefits due in one year.

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	\$ 189,280.91	\$
Special Revenue:		
Other		133,048.28
Federal Economic Stimulus		17,153.22
Nonmajor Governmental		39,079.41
Total	<u>\$ 189,280.91</u>	<u>\$ 189,280.91</u>

The interfund amounts represent loans from the General Fund to cover expenditures incurred prior to reimbursements from outside sources. The loans 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	\$218,763.46	\$
Capital Projects:		
Local Capital Improvement		191,343.50
Nonmajor Governmental		27,419.96
Total	<u>\$218,763.46</u>	<u>\$ 218,763.46</u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Transfers from the Capital Projects – Local Capital Improvement Fund to the General Fund were for property and casualty insurance premiums, and transfers from the Nonmajor Governmental funds to the General Fund were to recover indirect costs.

9. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies amounts reported as inventories as nonspendable.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Director of Finance as authorized by Board action, and not included in other categories.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **Unassigned**

For the General Fund, this balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. The fund balance in the Special Revenue – School Food Service Fund was less than the amount held as inventory resulting in a negative unassigned fund balance of \$36,161.75.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue sources for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 11,749,879.00
Categorical Educational Program - Class Size Reduction	3,447,826.00
Workforce Development Program	854,049.00
Gross Receipts Tax (Public Education Capital Outlay)	442,667.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	140,846.55
Adults with Disabilities	44,484.75
Food Service Supplement	22,985.00
Mobile Home License Tax	14,046.86
Discretionary Lottery Funds	11,406.00
School Recognition	10,693.00
Miscellaneous	<u>854,669.62</u>
 Total	 <u><u>\$ 17,593,552.78</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 2010 tax roll for the 2010-11 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.424	\$5,088,332.22
Basic Discretionary Local Effort	0.748	701,708.25
Critical Operating Needs	0.250	234,528.56
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.250</u>	<u>1,172,642.82</u>
 Total	 <u><u>7.672</u></u>	 <u><u>\$7,197,211.85</u></u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 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.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled \$1,641,702.03, \$1,551,350.41, and \$1,649,066.44, respectively, which were equal to the required contributions for each fiscal year. There were 65 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$209,170.95.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other 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 and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. 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 as soon as they

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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. Plan contribution requirements of the District and Plan members are established and may be amended by 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 2010-11 fiscal year, 65 retirees received other postemployment benefits. The District provided required contributions of \$131,812 toward the annual OPEB cost, net of retiree contributions totaling \$327,254, which represents 2.7 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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 52,075
Amortization of Unfunded Actuarial Accrued Liability	<u>71,360</u>
Annual Required Contribution	123,435
Interest on Net OPEB Obligation	5,258
Adjustment to Annual Required Contribution	<u>(7,309)</u>
Annual OPEB Cost (Expense)	121,384
Contribution Toward the OPEB Cost	<u>(131,812)</u>
Decrease in Net OPEB Obligation	(10,428)
Net OPEB Obligation, Beginning of Year	<u>131,448</u>
Net OPEB Obligation, End of Year	<u><u>\$ 121,020</u></u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2011 and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 164,968	60.2%	\$ 65,724
2009-10	164,968	60.2%	131,448
2010-11	121,384	108.6%	121,020

Funded Status and Funding Progress. As of July 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$1,233,965, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,233,965 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$12,236,734, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.1 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 OPEB actuarial valuation as of July 1, 2010 used the projected unit credit method actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District’s 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9.5 percent initially for the 2009-10 fiscal year, reduced by 0.2 to 0.3 percent per year, to an ultimate rate of 5 percent after 17 years. The unfunded actuarial accrued liability is being amortized on a level dollar open basis.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

14. SIGNIFICANT COMMITMENTS

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 following is a schedule of encumbrances at June 30, 2011:

Major Funds					
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 203,580	\$ 44,773	\$ 5,771	\$ 33,827	\$ 26,148	\$ 314,099

15. RISK MANAGEMENT PROGRAMS

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

The District also participates in an employee group health insurance program administered through the Consortium. 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.

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 45,000.00	\$ 45,000.00	\$ 61,531.42	\$ 16,531.42
Federal Through State and Local State	126,166.24	108,800.00	195,313.04	86,513.04
	16,741,731.75	16,949,962.98	16,989,144.24	39,181.26
Local:				
Property Taxes	5,786,031.00	5,786,031.00	5,824,095.31	38,064.31
Charges for Services			583,427.55	583,427.55
Miscellaneous	553,640.00	1,023,045.13	530,609.83	(492,435.30)
Total Revenues	23,252,568.99	23,912,839.11	24,184,121.39	271,282.28
Expenditures				
Current - Education:				
Instruction	13,513,187.66	14,031,024.52	12,848,200.37	1,182,824.15
Pupil Personnel Services	949,990.86	1,005,282.95	1,005,282.95	
Instructional Media Services	361,214.77	189,112.81	187,907.30	1,205.51
Instruction and Curriculum Development Services	355,961.83	313,011.47	297,665.98	15,345.49
Instructional Staff Training Services	91,709.25	204,410.60	158,410.65	45,999.95
Instruction Related Technology	131,447.67	98,602.22	90,103.73	8,498.49
School Board	354,709.01	349,121.97	330,077.66	19,044.31
General Administration	300,007.69	300,970.95	296,282.37	4,688.58
School Administration	1,874,530.97	1,537,574.35	1,537,574.35	
Facilities Acquisition and Construction	31,062.78	1,500.00	1,500.00	
Fiscal Services	288,527.33	303,481.84	303,481.84	
Food Services	22,118.60	57,012.28	57,012.28	
Central Services	258,473.53	253,370.38	232,094.01	21,276.37
Pupil Transportation Services	1,498,069.73	1,548,661.79	1,494,744.86	53,916.93
Operation of Plant	2,536,835.21	2,629,068.09	2,629,068.09	
Maintenance of Plant	762,022.29	686,376.43	686,376.43	
Administrative Technology Services	298,131.57	354,873.50	348,972.96	5,900.54
Community Services	166,111.69	156,180.94	129,507.08	26,673.86
Fixed Capital Outlay:				
Facilities Acquisition and Construction		109,625.17	90,421.02	19,204.15
Other Capital Outlay	127,201.93	203,486.30	79,595.78	123,890.52
Total Expenditures	23,921,314.37	24,332,748.56	22,804,279.71	1,528,468.85
Excess (Deficiency) of Revenues Over Expenditures	(668,745.38)	(419,909.45)	1,379,841.68	1,799,751.13
Other Financing Sources				
Transfers In		218,763.46	218,763.46	
Net Change in Fund Balances	(668,745.38)	(201,145.99)	1,598,605.14	1,799,751.13
Fund Balances, Beginning	2,664,197.25	2,664,197.25	2,664,197.25	
Fund Balances, Ending	\$ 1,995,451.87	\$ 2,463,051.26	\$ 4,262,802.39	\$ 1,799,751.13

Special Revenue - Other Fund				Special Revenue - Federal 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)
\$ 3,985,422.70	\$ 4,684,322.82	\$ 346,663.27 3,497,132.19	\$ 346,663.27 (1,187,190.63)	\$ 1,973,544.25	\$ 3,091,831.25	\$ 2,584,878.98	\$ (506,952.27)
<u>3,985,422.70</u>	<u>4,684,322.82</u>	<u>3,843,795.46</u>	<u>(840,527.36)</u>	<u>1,973,544.25</u>	<u>3,091,831.25</u>	<u>2,584,878.98</u>	<u>(506,952.27)</u>
2,395,096.21	2,746,404.91	2,243,965.86	502,439.05	1,278,997.11	1,844,091.98	1,763,680.66	80,411.32
137,173.44	97,003.37	82,661.74	14,341.63	247,261.38	64,620.45	64,130.56	489.89
					180,258.66	180,258.66	
117,598.68	336,405.81	251,896.23	84,509.58	207,595.57	23,075.56	9,137.01	13,938.55
399,967.04	480,575.66	334,040.99	146,534.67	239,490.19	205,500.89	187,942.08	17,558.81
842,884.11	268,673.39	257,185.17	11,488.22		134,965.85	4,552.75	130,413.10
43,212.62	43,981.09	33,992.46	9,988.63		311,178.11	311,178.11	
49,490.60	5,673.00	486.54	5,186.46	200.00	200.00		200.00
					195,000.00		195,000.00
	8,377.82	8,377.82					
	<u>697,227.77</u>	<u>631,188.65</u>	<u>66,039.12</u>		<u>132,939.75</u>	<u>63,999.15</u>	<u>68,940.60</u>
<u>3,985,422.70</u>	<u>4,684,322.82</u>	<u>3,843,795.46</u>	<u>840,527.36</u>	<u>1,973,544.25</u>	<u>3,091,831.25</u>	<u>2,584,878.98</u>	<u>506,952.27</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2008	\$ 0	\$ 1,579,577	\$ 1,579,577	0.0%	\$ 10,753,493	14.7%
July 1, 2010	0	1,233,965	1,233,965	0.0%	12,236,734	10.1%

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

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	\$ 234,911.48
National School Lunch Program	10.555	300	753,184.50
Summer Food Service Program for Children	10.559	323	3,657.90
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	60,961.07
Total Child Nutrition Cluster			1,052,714.95
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	28,990.00
Total United States Department of Agriculture			1,081,704.95
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	346,663.27
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	841,498.46
Special Education - Preschool Grants	84.173	267	25,383.48
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	599,550.84
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	13,764.66
Total Special Education Cluster			1,480,197.44
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,032,767.01
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	271,867.62
Total Title I, Part A Cluster			1,304,634.63
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,029,054.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	26,929.00
Putnam County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	None	38,639.16
Total State Fiscal Stabilization Fund Cluster			1,094,622.16
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	57,597.00
Career and Technical Education - Basic Grants to States	84.048	161	141,679.24
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	5,732.77
Education Technology State Grants	84.318	121,122	1,058,536.90
Rural Education	84.358	110	67,386.98
Improving Teacher Quality State Grants	84.367	224	233,352.64
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	4,081.81
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	12,414.05
Education Jobs Fund	84.410	541	627,217.00
Putnam County District School Board:			
Early Reading First	84.359	None	2,705.17
Santa Fe College:			
Career and Technical Education - Basic Grants to States	84.048	None	5,173.57
Total Indirect			6,095,331.36
Total United States Department of Education			6,441,994.63
United States Department of Health and Human Services:			
Indirect:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	67,000.00
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	61,531.42
Total Expenditures of Federal Awards			\$ 7,652,231.00

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

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



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Bradford County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Bradford County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 28, 2012



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

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

Compliance

We have audited the Bradford 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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

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
February 28, 2012

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Education Technology State Grants (CFDA No. 84.318); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); and Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),¹ provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

The instructional personnel salary schedule and union contract provided differentiated pay for additional responsibilities of department chairs at the high school, team leaders at the middle school, and lead teachers at the elementary schools. The salary schedule also provided differentiated pay for school demographics at the alternative school and for critical shortage areas such as for school psychologists, speech/language

¹ Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

pathologists, and associates. District personnel indicated that the critical shortage areas were difficult positions to fill; however, District records did not evidence the basis for identifying the critical shortage areas. To document this process, records could evidence the number of applicants, personnel turnover rates, and other factors relating to hiring and retaining instructional personnel. In addition, the salary schedule did not evidence consideration of differentiated pay based on level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.

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

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-120.

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

Finding No. 2: Information Technology – Disaster Recovery Plan

Disaster recovery planning is an important element of information technology (IT) controls established to manage the availability of valuable data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations in the event of a major hardware or software failure. The success and effectiveness of a disaster recovery plan requires elements such as provisions for secured off-site storage of critical backups and alternate site processing arrangements.

The Board approved a formal disaster recovery agreement with the IBM AS/400 TERMS Users Group whereby member districts agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupts critical IT operations. However, the District's disaster recovery plan omitted necessary procedures for minimizing and containing damage, restoring telecommunications capability, resuming the operation of critical systems, and minimizing the disruption to operations.

Appropriate disaster recovery planning should indicate the conditions under which the back-up site will be used; identify the employees needed at the site, their job responsibilities, and supplies needed; outline procedures for notification of the back-up site and employees; establish a job priority schedule; and include steps to be followed at the back-up site. District personnel indicated that, because of other priorities, the District had not ensured all appropriate elements were contained in the IT disaster recovery plan. However, without a detailed disaster recovery plan and assignment of staff responsible for recovery activities, there is an increased risk that the District may not promptly and effectively resume IT operations in the event of a disaster or other service interruption. Similar findings were noted in previous audits, most recently in our report No. 2011-120.

Recommendation: The District should enhance its IT disaster recovery plan to address procedures for minimizing the disruption of operations in the event of a disaster and make the plan available to key employees.

Finding No. 3: Information Technology – Written Policies and Procedures

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

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

- Administering vendor-supplied identification codes (IDs), user IDs, administrative passwords, guest accounts, and security devices (such as firewalls and routers).
- Granting least privilege for service and application accounts.
- Defining system and database administration responsibilities.
- Prohibiting administrator rights on the workstations of end users.
- Resetting user passwords, including positive identification of the user.
- Defining termination procedures, including timely notification of terminations and reassignments and revoking the access privileges of former or transferred employees, consultants, and vendors.

District personnel indicated that, due to their limited staff size, they have not been able to complete written policies and procedures to address the above-noted areas. However, without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in previous audits, most recently in our report No. 2011-120.

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

Finding No. 4: Information Technology – Application Access and Authorization Controls

Application access and authorization controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Key elements of a comprehensive plan for application access and authorization controls include data classification and access authorization documentation. Data owners are generally the managers of the programs supported by applications and are in the best position to classify data and determine access needs of users.

District personnel had not classified data, such as social security numbers, student data, and personnel records, by sensitivity or level of significance, or maintained access authorization documentation, such as security access forms signed by employee supervisors. Without sufficient application access and authorization controls, there is an increased risk of inappropriate access and unauthorized use, disclosure, or modification of data and IT resources. Similar findings were noted in previous audits, most recently in our report No. 2011-120.

Recommendation: The District should classify its data and maintain documentation of user access authorization.

Finding No. 5: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program apprises new users of, and reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District required employees to watch a video about e-mail usage and liability issues and to sign an agreement annually, the District had not implemented a comprehensive security awareness training program to facilitate all users' ongoing education and training on security responsibilities, including acceptable or prohibited methods for storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of sensitive or confidential information. A comprehensive security awareness training program would reduce the risk of the District's IT resources being unintentionally compromised by users while performing their assigned duties. Similar findings were noted in previous audits, most recently in our report No. 2011-120.

Recommendation: The District should promote security awareness through a comprehensive training program to ensure that all applicable employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

Finding No. 6: Information Technology – Program Change Controls

Effective controls over changes to application programs and systems are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include providing written evidence of the program change process, independent testing and approval of program changes, separating the responsibility for moving approved changes into the production environment from employees who developed the changes, and restricting programmers from accessing or updating production data.

District personnel indicated, due to staffing limitations, the District had not implemented a formal program change methodology that documented the program change process, and had not restricted programmers from accessing or updating production programs and data. However, without effective program change controls, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection. Similar findings were noted in previous audits, most recently in our report No. 2011-120.

Recommendation: The District should implement a formal program change methodology that includes documenting the program change process, and restrict programmers from accessing or updating production programs and data.

Finding No. 7: Information Technology – Logging, User Authentication, and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to logging, user authentication, and data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the

specific issues. Without adequate security controls related to logging, user authentication, and data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction. Similar findings were noted in previous audits, most recently in our report No. 2011-120.

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

Finding No. 8: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to computer security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely action to prevent further loss or damage to the District's data and IT resources.

Recommendation: The District should develop a written IT security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2011-120.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2008-111 (1) 2009-153 (1) 2010-129 (1) 2011-120 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and Hazard Mitigation Grant (CFDA No. 97.039) - Equipment and Real Property Management	The District had not implemented controls to ensure the accountability and safeguarding of the District's tangible personal property, the lack of which impacts the major Federal programs.	Corrected.	
2010-129 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Activities Allowed or Unallowed	The District should enhance procedures to ensure that grantor approval is obtained, when required, before purchasing capital equipment from Federal funds. Equipment was purchased without required grantor approval, resulting in questioned costs of \$11,489.96.	Partially corrected.	The grantor has not made a determination regarding the questioned costs.

EXHIBIT A
MANAGEMENT’S RESPONSE



BRADFORD COUNTY SCHOOL DISTRICT

501 W. WASHINGTON STREET • STARKE, FLORIDA 32091

(904) 966-6800 • FAX 966-6030

Dr. Beth Moore, Superintendent

*School Board of
Bradford County, Florida*

*District 1, Jesse Moore, Jr.
District 2, Stacey Creighton
District 3, Randy Jones
District 4, Virginia Chappell
District 5, David Smith*

February 28, 2012

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

Dear Mr. Martin,

The following is Bradford County School District’s response to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2011. This response is being done pursuant to Section 11.45(4)(d), Florida Statutes which requires a written statement of explanation concerning all of the audit findings, as well as our actual or proposed corrective action.

Finding 1: Compensation and Salary Schedules

We acknowledge our differentiated pay schedule needs to be amended to include all required items as required by Florida Statutes. In addition, we acknowledge that our pay schedule also needs to be amended to include compensation based upon performance in accordance with Florida Statutes. These items are negotiated items and will be addressed with our union as part of union negotiations.

Findings 2-8: Information Technology Comments

We acknowledge that we need to develop policies, procedures and communication pathways with respect to our information technology programs. We hired a new employee in our Information Services Department in December, 2010. In addition, we are currently advertising for another position within the Information Services Department. It is anticipated that with the increase in the staff in this department we will be able to start addressing these findings.

We would like to thank the Auditor General for the consideration that was given to Bradford County during this year’s audit. We would also like to complement the staff of the Auditor General for their helpfulness and technical advice.

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

If you have any questions about our responses, please feel free to contact Julee Tinsler, our Finance Director, at (904) 966-6025.

Sincerely,



Beth Moore
Superintendent
Bradford County Schools