

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2013



BOARD MEMBERS AND SUPERINTENDENTS

Board members and Superintendents who served during the 2012-13 fiscal year are listed below:

	<u>District No.</u>
Archie Kittles, Vice Chair from 11-20-12	1
Stacey Shuford Creighton, Vice Chair to 11-19-11, Chair from 11-20-12	2
Randy Jones, Chair to 11-19-12	3
Vivian O. Chappell to 11-19-12	4
Elbert E. Hersey from 11-20-12	4
Roman M. Alvarez	5

Dr. Beth Moore, Superintendent to 11-19-12
Harold C. "Chad" Farnsworth, III, Superintendent from 11-20-12

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

The audit team leader was Gina M. Bailey, CPA, CFE, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Earl Butler, CISA, CFE, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

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) 412-2722; 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 established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: The District could strengthen its controls over tangible personal property.

Finding No. 3: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 4: The District lacked written policies and procedures for certain information technology (IT) functions.

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

Finding No. 6: The District's IT disaster recovery plan could be enhanced.

Finding No. 7: The District did not have a written IT security incident response plan.

Finding No. 8: The District had not classified its IT data according to sensitivity or level of significance, or maintained documentation of user access authorization.

Finding No. 9: 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. 10: Certain IT security controls related to logging and user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Federal Pell Grant, the Special Education Cluster, and the Race-to-the-Top 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. 2013-084.

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, 2013. 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.



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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 69 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Bradford County District School Board as of June 30, 2013, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Supplementary Information

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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

February 5, 2014

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, 2013, 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 year 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 year and the prior 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 2012-13 fiscal year are as follows:

- Over the course of the fiscal year, net position decreased from \$34.3 million at June 30, 2012, to \$32.8 million at June 30, 2013.
- General revenues accounted for \$27.1 million, or 92 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2.2 million, or 8 percent of total revenues of \$29.3 million.
- The District had \$30.9 million in expenses. Only \$2.2 million were offset by program specific charges for services, grants, or contributions. General revenues, primarily ad valorem taxes and Florida Education Finance Program (FEFP) 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 year with a fund balance of \$3 million, which is \$1 million less than the previous 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 government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. Included in fund statements are governmental funds statements which 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 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.

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	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 monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	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.

Government-wide Financial Statements

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

The two government-wide statements report the District’s net position and how they have changed. Net position, 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 position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, 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.

The government-wide financial statements are composed of governmental activities that include all of the District’s basic services, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of the activities.

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 fiscal 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 government-wide 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, such as the Foster Shi – Mary Anne Smith Scholarship Trust, the Melissa 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 government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was \$32.8 million at June 30, 2013. The largest portion of the District's net position (92 percent) reflects its investment in capital assets (i.e., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt 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 position (\$1.8 million) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position of governmental activities represents the accumulated results of all past fiscal years' operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2013, compared to net position as of June 30, 2012:

	Net Position, End of Year	
	Governmental	
	Activities	
	<u>6-30-13</u>	<u>6-30-12</u>
Current and Other Assets	\$ 5,043,813.25	\$ 6,249,740.83
Capital Assets	<u>30,299,124.95</u>	<u>31,202,142.99</u>
Total Assets	<u>35,342,938.20</u>	<u>37,451,883.82</u>
Long-Term Liabilities	2,349,847.78	2,540,585.16
Other Liabilities	<u>235,510.54</u>	<u>569,180.42</u>
Total Liabilities	<u>2,585,358.32</u>	<u>3,109,765.58</u>
Net Position:		
Net Investment in Capital Assets	30,057,846.99	30,838,973.34
Restricted	1,817,855.12	1,743,625.15
Unrestricted	<u>881,877.77</u>	<u>1,759,519.75</u>
Total Net Position	<u>\$ 32,757,579.88</u>	<u>\$ 34,342,118.24</u>

The largest portion of the District’s net position (92 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net position (5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (3 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental	
	Activities	
	6-30-13	6-30-12
Program Revenues:		
Charges for Services	\$ 919,808.57	\$ 990,477.05
Operating Grants and Contributions	1,176,850.77	1,180,437.53
Capital Grants and Contributions	139,070.87	140,725.84
General Revenues:		
Property Taxes, Levied for Operational Purposes	5,499,020.81	5,645,909.18
Property Taxes, Levied for Capital Projects	1,322,739.28	1,343,012.43
Grants and Contributions Not Restricted to Specific Programs	19,954,245.04	20,342,078.09
Unrestricted Investment Earnings	391.51	582.87
Miscellaneous	274,549.71	348,159.97
Total Revenues	29,286,676.56	29,991,382.96
Functions/Program Expenses:		
Instruction	16,084,855.90	16,186,953.14
Pupil Personnel Services	1,198,967.15	1,117,570.74
Instructional Media Services	294,279.02	272,344.80
Instruction and Curriculum Development Services	843,324.16	740,330.31
Instructional Staff Training Services	287,433.93	339,737.58
Instruction Related Technology	166,959.77	214,486.04
School Board	237,561.87	304,753.73
General Administration	340,693.81	307,152.23
School Administration	1,899,555.77	1,782,000.84
Facilities Acquisition and Construction	172,260.77	145,372.52
Fiscal Services	293,631.94	292,544.44
Food Services	1,609,639.70	1,529,321.54
Central Services	242,596.74	258,359.33
Pupil Transportation Services	1,918,154.89	1,982,629.93
Operation of Plant	2,553,823.92	2,427,449.41
Maintenance of Plant	593,939.88	537,545.79
Administrative Technology Services	369,821.30	393,842.05
Community Services	214,374.91	122,592.41
Unallocated Interest on Long-Term Debt	17,840.05	34,419.52
Unallocated Depreciation Expense	1,531,499.44	1,536,582.21
Total Functions/Program Expenses	30,871,214.92	30,525,988.56
Change in Net Position	\$ (1,584,538.36)	\$ (534,605.60)
Net Position - Beginning	34,342,118.24	34,876,723.84
Net Position - Ending	\$ 32,757,579.88	\$ 34,342,118.24

The largest revenue source is the State of Florida (57 percent). Revenues from State sources for current operations are primarily received through the 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.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$1.8 million, while the total fund balance is \$3 million. Total fund balance decreased by \$1 million during the fiscal year. Salaries and benefits increased by \$550,000 due to pay increases approved in the new salary schedule. In addition, General Fund revenue for the fiscal year decreased by \$266,000 primarily due to a decrease in Medicaid revenue of \$182,000 and a decrease in property tax revenues of \$147,000 partially offset by miscellaneous increases in other revenues.

The Special Revenue – Other Fund has total revenues and expenditures of \$3 million each, and the funding was mainly used for instruction. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$187,613 each, and the funding was used for instruction and instructional support. Because grant revenues attributed to the grants accounted for in these funds are not recognized until expenditures are incurred, the funds generally do not accumulate fund balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$1.6 million, which is restricted for the acquisition, construction, and maintenance of capital assets, and the fund balance, as compared to the prior fiscal year, remained stable. It should be noted that \$186,513 has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$741,000, or 3 percent. At the same time, final appropriations are more than the original budgeted amounts by \$445,000. Budget revisions were due primarily to changes in estimated State funding levels and adjustments to appropriations to reflect the settled negotiated labor contract.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$882,000, or 3 percent, less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1.4 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is \$30.3 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.

Additional information on the District's capital assets can be found in notes I.F.4 and II.C to the financial statements.

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of \$205,000, comprised primarily of bonds payable.

Additional information on the District's long-term debt can be found in notes II.H through I to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District is expecting to receive additional funding from the State’s FEFP program for the 2013-14 fiscal year. While enrollment appeared to be stabilizing after years of declining enrollment, the District is projecting a decline in enrollment for the upcoming fiscal year.

In addition, one of Bradford County School District schools, Starke Elementary School, is experiencing an air quality crisis. All students and personnel have been removed from the school and been relocated to various locations during the evaluation and abatement process. Engineering professionals have evaluated what needs to be done to correct this situation and have estimated an approximate cost of \$2 million.

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 W. 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 POSITION
June 30, 2013**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,552,842.04
Investments	32,797.04
Accounts Receivable	11,870.15
Due from Fiscal Agent	103,265.30
Due from Other Agencies	162,038.56
Inventories	181,000.16
Capital Assets:	
Nondepreciable Capital Assets	489,359.10
Depreciable Capital Assets, Net	<u>29,809,765.85</u>
TOTAL ASSETS	<u>35,342,938.20</u>
LIABILITIES	
Payroll Deductions and Withholdings	54,913.16
Accounts Payable	180,597.38
Long-Term Liabilities:	
Portion Due Within One Year	342,984.79
Portion Due After One Year	<u>2,006,862.99</u>
TOTAL LIABILITIES	<u>2,585,358.32</u>
NET POSITION	
Net Investment in Capital Assets	30,057,846.99
Restricted for:	
State Required Carryover Programs	31,969.22
Debt Service	6,819.19
Capital Projects	1,719,629.31
Food Service	59,437.40
Unrestricted	<u>881,877.77</u>
TOTAL NET POSITION	<u>\$ 32,757,579.88</u>

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,084,855.90	\$ 329,227.45	\$	\$ (15,755,628.45)
Pupil Personnel Services	1,198,967.15			(1,198,967.15)
Instructional Media Services	294,279.02			(294,279.02)
Instruction and Curriculum Development Services	843,324.16			(843,324.16)
Instructional Staff Training Services	287,433.93			(287,433.93)
Instruction Related Technology	166,959.77			(166,959.77)
School Board	237,561.87			(237,561.87)
General Administration	340,693.81			(340,693.81)
School Administration	1,899,555.77			(1,899,555.77)
Facilities Acquisition and Construction	172,260.77			(151,032.49)
Fiscal Services	293,631.94	36,950.94		(256,681.00)
Food Services	1,609,639.70	371,469.90	1,176,850.77	(61,319.03)
Central Services	242,596.74			(242,596.74)
Pupil Transportation Services	1,918,154.89			(1,918,154.89)
Operation of Plant	2,553,823.92			(2,553,823.92)
Maintenance of Plant	593,939.88			(593,939.88)
Administrative Technology Services	369,821.30			(369,821.30)
Community Services	214,374.91	182,160.28		85,627.96
Unallocated Interest on Long-Term Debt	17,840.05			(17,840.05)
Unallocated Depreciation Expense*	1,531,499.44			(1,531,499.44)
Total Governmental Activities	\$ 30,871,214.92	\$ 919,808.57	\$ 1,176,850.77	\$ 139,070.87
				(28,635,484.71)
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				5,499,020.81
Property Taxes, Levied for Capital Projects				1,322,739.28
Grants and Contributions Not Restricted to Specific Programs				19,954,245.04
Unrestricted Investment Earnings				391.51
Miscellaneous				274,549.71
Total General Revenues				27,050,946.35
Change in Net Position				(1,584,538.36)
Net Position - Beginning				34,342,118.24
Net Position - Ending				\$ 32,757,579.88

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

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

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**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,833,855.45	\$	\$	\$ 1,560,471.35
Investments	25,977.85			
Accounts Receivable	11,730.15	140.00		
Due from Fiscal Agent	103,265.30			
Due from Other Funds	109,670.85			
Due from Other Agencies	56,772.36	98,061.74	408.25	3,257.24
Inventories	116,655.39			
TOTAL ASSETS	\$ 3,257,927.35	\$ 98,201.74	\$ 408.25	\$ 1,563,728.59
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 54,913.16	\$	\$	\$
Accounts Payable	180,597.38			
Due to Other Funds		98,201.74	408.25	
Total Liabilities	235,510.54	98,201.74	408.25	
Fund Balances:				
Nonspendable:				
Inventories	116,655.39			
Fund B Investments	25,977.85			
Total Nonspendable Fund Balance	142,633.24			
Restricted for:				
State Required Carryover Programs	31,969.22			
Debt Service				
Capital Projects				1,563,728.59
Total Restricted Fund Balance	31,969.22			1,563,728.59
Assigned for:				
Self-insurance	67,528.98			
Board-Approved Budget items	980,738.15			
Total Assigned Fund Balance	1,048,267.13			
Unassigned Fund Balance	1,799,547.22			
Total Fund Balances	3,022,416.81			1,563,728.59
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,257,927.35	\$ 98,201.74	\$ 408.25	\$ 1,563,728.59

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 158,515.24	\$ 4,552,842.04
6,819.19	32,797.04
	11,870.15
	103,265.30
	109,670.85
3,538.97	162,038.56
<u>64,344.77</u>	<u>181,000.16</u>
\$ 233,218.17	\$ 5,153,484.10
\$	\$ 54,913.16
	180,597.38
<u>11,060.86</u>	<u>109,670.85</u>
<u>11,060.86</u>	<u>345,181.39</u>
64,344.77	181,000.16
	25,977.85
<u>64,344.77</u>	<u>206,978.01</u>
	31,969.22
6,819.19	6,819.19
<u>155,900.72</u>	<u>1,719,629.31</u>
<u>162,719.91</u>	<u>1,758,417.72</u>
	67,528.98
	980,738.15
	<u>1,048,267.13</u>
<u>(4,907.37)</u>	<u>1,794,639.85</u>
<u>222,157.31</u>	<u>4,808,302.71</u>
\$ 233,218.17	\$ 5,153,484.10

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balances - Governmental Funds \$ 4,808,302.71

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 30,299,124.95

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 fiscal year-end consist of:

Obligation Under Capital Lease	\$ 36,277.96	
Bonds Payable	205,000.00	
Compensated Absences Payable	1,978,112.82	
Other Postemployment Benefits Payable	130,457.00	(2,349,847.78)

Net Position - Governmental Activities \$ 32,757,579.88

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, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 60,078.96	\$ 361,410.34	\$	\$
Federal Through State and Local State	167,158.51 16,503,640.72	2,651,936.88	187,612.63	
Local:				
Property Taxes	5,499,020.81			1,322,739.28
Charges for Services	548,338.67			
Miscellaneous	270,862.23			
Total Local Revenues	<u>6,318,221.71</u>			<u>1,322,739.28</u>
Total Revenues	<u>23,049,099.90</u>	<u>3,013,347.22</u>	<u>187,612.63</u>	<u>1,322,739.28</u>
Expenditures				
Current - Education:				
Instruction	13,824,991.25	2,266,374.23	27,907.11	
Pupil Personnel Services	979,397.04	224,267.49		
Instructional Media Services	295,395.05	11.79		
Instruction and Curriculum Development Services	353,632.61	417,238.61	75,014.00	
Instructional Staff Training Services	226,748.21	42,434.87	19,292.45	
Instruction Related Technology	121,815.37	9,379.06	36,199.73	
School Board	238,193.78			
General Administration	310,635.29	31,203.80		
School Administration	1,903,292.99		4,016.34	
Facilities Acquisition and Construction				172,260.77
Fiscal Services	294,549.54			
Food Services	45,453.89			
Central Services	243,432.24			
Pupil Transportation Services	1,674,833.48			
Operation of Plant	2,556,925.70			
Maintenance of Plant	595,124.64			
Administrative Technology Services	370,864.38			
Community Services	214,860.05			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	27,433.90			483,661.92
Other Capital Outlay	48,261.42	22,437.37	25,183.00	244,778.80
Debt Service:				
Principal				16,891.69
Interest and Fiscal Charges				2,156.39
Total Expenditures	<u>24,325,840.83</u>	<u>3,013,347.22</u>	<u>187,612.63</u>	<u>919,749.57</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,276,740.93)</u>			<u>402,989.71</u>
Other Financing Sources (Uses)				
Transfers In	223,168.00			
Insurance Loss Recoveries	4,032.07			
Transfers Out				(223,168.00)
Total Other Financing Sources (Uses)	<u>227,200.07</u>			<u>(223,168.00)</u>
Net Change in Fund Balances	(1,049,540.86)			179,821.71
Fund Balances, Beginning	4,071,957.67			1,383,906.88
Fund Balances, Ending	<u>\$ 3,022,416.81</u>	<u>\$ 0.00</u>	<u>0.00</u>	<u>\$ 1,563,728.59</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
1,176,850.77	421,489.30
161,477.87	4,183,558.79
	16,665,118.59
	6,821,760.09
371,469.90	919,808.57
46.92	270,909.15
<u>371,516.82</u>	<u>8,012,477.81</u>
<u>1,709,845.46</u>	<u>29,282,644.49</u>
	16,119,272.59
	1,203,664.53
	295,406.84
	845,885.22
	288,475.53
	167,394.16
	238,193.78
	341,839.09
	1,907,309.33
	172,260.77
	294,549.54
1,567,388.46	1,612,842.35
	243,432.24
	1,674,833.48
	2,556,925.70
	595,124.64
	370,864.38
	214,860.05
21,416.89	532,512.71
2,895.00	343,555.59
105,000.00	121,891.69
<u>15,683.66</u>	<u>17,840.05</u>
<u>1,712,384.01</u>	<u>30,158,934.26</u>
<u>(2,538.55)</u>	<u>(876,289.77)</u>
	223,168.00
	4,032.07
	<u>(223,168.00)</u>
	4,032.07
(2,538.55)	(872,257.70)
<u>224,695.86</u>	<u>5,680,560.41</u>
<u>\$ 222,157.31</u>	<u>\$ 4,808,302.71</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, 2013**

Net Change in Fund Balances - Governmental Funds \$ (872,257.70)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (903,018.04)

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

	\$	16,891.69	
Capital Lease Principal Payments			
Bond Principal Payments		105,000.00	121,891.69

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the amount of compensated absences used in excess of the amount earned in the current fiscal year. 88,710.69

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 increase in the other postemployment benefits liability for the current fiscal year. (19,865.00)

Change in Net Position - Governmental Activities \$ (1,584,538.36)

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
June 30, 2013**

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 28,521.13	\$ 582,235.00
Accounts Receivable		3,008.00
Inventories		5,252.00
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 28,521.13</u></u>	<u><u>\$ 590,495.00</u></u>
LIABILITIES		
Accounts Payable	\$	\$ 14,164.00
Internal Accounts Payable		576,331.00
	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u><u>\$ 590,495.00</u></u>
NET POSITION		
Net Position Held in Trust for Scholarships and Other Purposes	<u>28,521.13</u>	
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 28,521.13</u></u>	

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Private-Purpose Trust Funds
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	\$ 2,000.00
DEDUCTIONS	
Scholarship Payments	600.00
Change in Net Position	1,400.00
Net Position - Beginning	27,121.13
Net Position - Ending	\$ 28,521.13

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Bradford County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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.

B. 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 District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. 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 legally separate 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. Based on these criteria, no component units are included within the District's reporting entity.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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, 2013**

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the 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).
- 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 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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

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.

The governmental fund financial statements are reported using the current financial resources measurement focus and 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

2. Investments

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

3. 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.

4. Capital Assets

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

Capital assets are depreciated using the 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.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

5. 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 position. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

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

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

6. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District’s policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification may include amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2013.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In addition, the District has adopted Board Policy 7.01 which provides at least 3 percent of the current year's annual estimated General Fund revenues to be reserved for contingency purposes.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

2. 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

3. 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 2012 tax levy on September 10, 2012. 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.

4. 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.

5. Compensated Absences

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. The liability for compensated absences includes salary-related benefits, where applicable.

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 62,526.75
Fund B	3.98 Year Average	25,977.85
Debt Service Accounts	6 Months	6,819.19
Total Investments, Primary Government		<u>\$ 95,323.79</u>

Notes: (1) This investment is 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 40 days at June 30, 2013. 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. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ 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 the SBA’s Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

The District’s investments in the 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 the SBA for managing interest rate risk and credit risk for this account.

The District’s investment in Florida PRIME is rated AAAM by Standard & Poor’s. Fund B is unrated.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 489,359.10	\$	\$	\$ 489,359.10
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,487,170.11	31,346.75		3,518,516.86
Buildings and Fixed Equipment	47,620,503.15	501,165.96		48,121,669.11
Furniture, Fixtures, and Equipment	4,140,127.21	229,067.29		4,369,194.50
Motor Vehicles	4,466,124.48	109,726.00	179,769.00	4,396,081.48
Property Under Capital Lease	151,465.00			151,465.00
Audio Visual Materials and Computer Software	138,526.02	4,762.30		143,288.32
Total Capital Assets Being Depreciated	60,003,915.97	876,068.30	179,769.00	60,700,215.27
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,885,893.52	119,194.14		2,005,087.66
Buildings and Fixed Equipment	21,264,521.69	937,261.00		22,201,782.69
Furniture, Fixtures, and Equipment	2,733,187.74	434,369.44		3,167,557.18
Motor Vehicles	3,336,157.19	247,586.90	179,769.00	3,403,975.09
Property Under Capital Lease	26,507.61	3,786.83		30,294.44
Audio Visual Materials and Computer Software	44,864.33	36,888.03		81,752.36
Total Accumulated Depreciation	29,291,132.08	1,779,086.34	179,769.00	30,890,449.42
Total Capital Assets Being Depreciated, Net	30,712,783.89	(903,018.04)		29,809,765.85
Governmental Activities Capital Assets, Net	\$ 31,202,142.99	\$ (903,018.04)	\$ 0.00	\$ 30,299,124.95

The class of property under capital lease is presented in note II.H.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 247,586.90
Unallocated	1,531,499.44
Total Depreciation Expense - Governmental Activities	\$ 1,779,086.34

D. Florida Retirement System

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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 the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the

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ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, 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 the Investment Plan.

(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, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$1,649,066.44, \$1,104,793.72, and \$1,208,603.39, respectively, which were equal to the required contributions for each fiscal year.

There were 68 District participants in the Investment Plan during the 2012-13 fiscal year. The District’s contributions, including employee contributions, to the Investment Plan totaled \$168,923.23, which was equal to the required contribution for the 2012-13 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the 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.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB 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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

plan for medical and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 OPEB 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 are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 30 retirees and their spouses received other postemployment benefits. The District provided required contributions of \$161,327 toward the annual OPEB cost, net of retiree contributions totaling \$232,181, which represents 1.3 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of 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 OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 76,313
Amortization of Unfunded Actuarial Accrued Liability	<u>106,605</u>
Annual Required Contribution	182,918
Interest on Net OPEB Obligation	4,424
Adjustment to Annual Required Contribution	<u>(6,150)</u>
Annual OPEB Cost (Expense)	181,192
Contribution Toward the OPEB Cost	<u>(161,327)</u>
Change in Net OPEB Obligation	19,865
Net OPEB Obligation, Beginning of Year	<u>110,592</u>
Net OPEB Obligation, End of Year	<u><u>\$ 130,457</u></u>

**BRADFORD COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 121,384	108.6%	\$ 121,020
2011-12	121,384	108.6%	110,592
2012-13	181,192	89.0%	130,457

Funded Status and Funding Progress. As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$1,843,417, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,843,417, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$17,875,812, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.3 percent.

Actuarial valuations of an ongoing OPEB 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 OPEB 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 OPEB 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 OPEB 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, 2012, used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability as of June 30, 2013, and to estimate the District’s 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included an annual health care cost trend of 8 percent initially for the 2012-13 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 4.5 percent after seven years. The unfunded actuarial accrued liability is being amortized on a level dollar open basis over a 30 year period.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

F. 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, 2013:

Major Funds			
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Total Governmental Funds
\$ 22,431	\$ 7,021	\$ 186,513	\$ 215,965

G. 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.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

H. Obligation Under Capital Lease

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

	<u>Asset Balance</u>
Relocatable Classrooms	\$ 151,465

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 19,048.08	\$ 17,709.98	\$ 1,338.10
2015	19,048.08	18,567.98	480.10
Total Minimum Lease Payments	\$ 38,096.16	\$ 36,277.96	\$ 1,818.20

The stated interest rate is 4.74 percent.

I. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2013, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2005A	\$ 10,000	5.0	2016
Series 2011A, Refunding	195,000	5.0	2015
Total Bonds Payable	\$ 205,000		

These bonds are issued by the SBE 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 SBE and the SBA.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 110,250	\$ 100,000	\$ 10,250
2015	105,250	100,000	5,250
2016	5,250	5,000	250
Total	<u>\$ 220,750</u>	<u>\$ 205,000</u>	<u>\$ 15,750</u>

2. 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					
Obligations Under Capital Lease	\$ 53,169.65	\$	\$ 16,891.69	\$ 36,277.96	\$ 17,709.98
Bonds Payable	310,000.00		105,000.00	205,000.00	100,000.00
Compensated Absences Payable	2,066,823.51	34,374.41	123,085.10	1,978,112.82	225,274.81
Other Postemployment Benefits Payable	110,592.00	181,192.00	161,327.00	130,457.00	
Total Governmental Activities	<u>\$ 2,540,585.16</u>	<u>\$ 215,566.41</u>	<u>\$ 406,303.79</u>	<u>\$ 2,349,847.78</u>	<u>\$ 342,984.79</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.

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is 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.
- **Restricted Fund Balance.** Restricted fund balance is 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.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

K. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 109,670.85	\$
Special Revenue:		
Other		98,201.74
Federal Economic Stimulus		408.25
Nonmajor Governmental		11,060.86
Total	<u>\$ 109,670.85</u>	<u>\$ 109,670.85</u>

The interfund amounts represent loans from the General Fund to cover expenditures incurred prior to reimbursements from external sources. The loans are expected to be repaid within one year.

L. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2012-13 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 11,249,376.00
Categorical Educational Program - Class Size Reduction	3,378,941.00
Workforce Development Program	1,020,918.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	141,160.88
School Recognition	74,573.00
Adult with Disabilities	44,327.75
Food Service Supplement	22,407.00
Mobile Home License Tax	11,504.60
Miscellaneous	721,910.36
Total	<u>\$ 16,665,118.59</u>

Accounting policies relating to certain State revenue sources are described in note I.G.2.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

2. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.487	\$ 4,972,073.85
Basic Discretionary Local Effort	0.748	677,805.41
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,359,232.40
Total	7.735	\$ 7,009,111.66

M. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 223,168.00	\$
Capital Projects:		
Local Capital Improvement		223,168.00
Total	\$ 223,168.00	\$ 223,168.00

Transfers from the Capital Projects – Local Capital Improvement Fund were for property and casualty insurance premiums.

III. SUBSEQUENT EVENTS

One of the Bradford County School District schools, Starke Elementary School, is experiencing an air quality crisis. On September 9, 2013, the Board declared the cleanup an emergency item. The District has contracted with air quality and engineering professionals who are evaluating the situation. All students and personnel have been removed from the school and are being housed at various locations during the evaluation and abatement process. The District estimates that the total cost of this project will be \$2 million.

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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, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 60,078.96	\$ 10,078.96
Federal Through State and Local	107,000.00	107,000.00	167,158.51	60,158.51
State	17,324,604.56	16,399,485.65	16,503,640.72	104,155.07
Local:				
Property Taxes	5,367,310.00	5,367,310.00	5,499,020.81	131,710.81
Charges for Services			548,338.67	548,338.67
Miscellaneous	609,900.00	793,742.35	270,862.23	(522,880.12)
Total Local Revenues	<u>5,977,210.00</u>	<u>6,161,052.35</u>	<u>6,318,221.71</u>	<u>157,169.36</u>
Total Revenues	<u>23,458,814.56</u>	<u>22,717,538.00</u>	<u>23,049,099.90</u>	<u>331,561.90</u>
Expenditures				
Current - Education:				
Instruction	14,441,990.05	14,454,161.77	13,824,991.25	629,170.52
Pupil Personnel Services	882,460.56	982,467.82	979,397.04	3,070.78
Instructional Media Services	282,066.51	300,380.29	295,395.05	4,985.24
Instruction and Curriculum Development Services	300,772.32	353,752.34	353,632.61	119.73
Instructional Staff Training Services	220,801.61	227,618.33	226,748.21	870.12
Instruction Related Technology	121,722.07	137,654.54	121,815.37	15,839.17
School Board	285,936.51	250,095.37	238,193.78	11,901.59
General Administration	285,743.60	310,679.02	310,635.29	43.73
School Administration	1,807,453.59	1,909,861.24	1,903,292.99	6,568.25
Fiscal Services	296,815.41	305,968.85	294,549.54	11,419.31
Food Services	326.49	45,453.89	45,453.89	
Central Services	243,370.23	243,514.24	243,432.24	82.00
Pupil Transportation Services	1,604,446.79	1,685,645.67	1,674,833.48	10,812.19
Operation of Plant	2,477,044.34	2,612,100.96	2,556,925.70	55,175.26
Maintenance of Plant	634,759.54	608,562.44	595,124.64	13,437.80
Administrative Technology Services	377,927.74	376,220.57	370,864.38	5,356.19
Community Services	166,773.98	214,860.05	214,860.05	
Fixed Capital Outlay:				
Facilities Acquisition and Construction	169,056.30	39,673.46	27,433.90	12,239.56
Other Capital Outlay	103,865.85	89,404.64	48,261.42	41,143.22
Total Expenditures	<u>24,703,333.49</u>	<u>25,148,075.49</u>	<u>24,325,840.83</u>	<u>822,234.66</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,244,518.93)</u>	<u>(2,430,537.49)</u>	<u>(1,276,740.93)</u>	<u>1,153,796.56</u>
Other Financing Sources				
Transfers In			223,168.00	223,168.00
Insurance Loss Recoveries		3,734.56	4,032.07	297.51
Total Other Financing Sources		<u>3,734.56</u>	<u>227,200.07</u>	<u>223,465.51</u>
Net Change in Fund Balances	<u>(1,244,518.93)</u>	<u>(2,426,802.93)</u>	<u>(1,049,540.86)</u>	<u>1,377,262.07</u>
Fund Balances, Beginning	4,071,957.67	4,071,957.67	4,071,957.67	
Fund Balances, Ending	<u>\$ 2,827,438.74</u>	<u>\$ 1,645,154.74</u>	<u>\$ 3,022,416.81</u>	<u>\$ 1,377,262.07</u>

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)
\$ 5,550.00	\$ 398,193.78	\$ 361,410.34	\$ (36,783.44)	\$	\$	\$	\$
2,775,058.55	2,987,188.17	2,651,936.88	(335,251.29)	395,718.53	430,718.53	187,612.63	(243,105.90)
<u>2,780,608.55</u>	<u>3,385,381.95</u>	<u>3,013,347.22</u>	<u>(372,034.73)</u>	<u>395,718.53</u>	<u>430,718.53</u>	<u>187,612.63</u>	<u>(243,105.90)</u>
2,289,135.11	2,542,179.13	2,266,374.23	275,804.90	146,558.12	135,989.66	27,907.11	108,082.55
211,424.41	229,623.50	224,267.49	5,356.01				
	11.79	11.79					
130,743.71	468,614.32	417,238.61	51,375.71		84,760.00	75,014.00	9,746.00
79,962.73	67,228.38	42,434.87	24,793.51	22,070.13	50,724.94	19,292.45	31,432.49
9,776.23	11,879.06	9,379.06	2,500.00	86,792.28	52,260.05	36,199.73	16,060.32
35,483.86	35,589.09	31,203.80	4,385.29				
					9,016.34	4,016.34	5,000.00
	835.00		835.00				
				140,298.00	72,784.54		72,784.54
<u>24,082.50</u>	<u>29,421.68</u>	<u>22,437.37</u>	<u>6,984.31</u>		<u>25,183.00</u>	<u>25,183.00</u>	
<u>2,780,608.55</u>	<u>3,385,381.95</u>	<u>3,013,347.22</u>	<u>372,034.73</u>	<u>395,718.53</u>	<u>430,718.53</u>	<u>187,612.63</u>	<u>243,105.90</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) - (1) (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%
July 1, 2012	0	1,843,417	1,843,417	0.0%	17,875,812	10.3%

Note: (1) The District used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

I. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and State Board of Education (SBE) 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 SBE 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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2012, unfunded actuarial accrued liability of \$1,843,417 was \$609,452, or 49 percent, higher than the July 1, 2010, liability of \$1,233,965 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The medical annual per capita claim costs for pre-Medicare plans increased from \$8,100 to \$10,455, while the medical retiree contributions increased from \$5,867 to \$6,359.
- As part of the Patient Protection and Affordable Care Act, there will be a new 40 percent excise tax beginning in 2018. The tax will be applied to benefits above the 2018 limit of \$10,200 for individuals and \$27,500 for families (\$11,850 for retirees ages 55-64 with individual coverage and \$30,950 for retirees ages 55-64 with family coverage). The limits will be increased by the Consumer Price Index (CPI) + 1 percent in 2019 and by the CPI each year thereafter.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013**

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 Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 244,189.05
National School Lunch Program	10.555 (2)(A)	300	920,204.37
Summer Food Service Program for Children	10.559	323	<u>11,437.35</u>
Total United States Department of Agriculture			<u>1,175,830.77</u>
United States General Services Administration:			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	<u>2,183.16</u>
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	336,759.07
Teacher Incentive Fund	84.374 (3)	N/A	<u>24,073.63</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,071,208.64
Special Education - Preschool Grants	84.173	267	<u>25,732.00</u>
Total Special Education Cluster			1,096,940.64
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	70,790.33
Title I Grants to Local Educational Agencies	84.010	212, 222	998,045.44
Career and Technical Education - Basic Grants to States	84.048 (4)	161	83,620.06
Education for Homeless Children and Youth	84.196	127	24,311.51
Rural Education	84.358	110	60,733.00
Improving Teacher Quality State Grants	84.367	224	282,220.82
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RG311	187,204.38
Santa Fe College:			
Career and Technical Education - Basic Grants to States	84.048 (4)	None	35,275.08
Putnam County District School Board:			
Teacher Incentive Fund	84.374 (3)	None	<u>577.64</u>
Total Indirect			<u>2,839,718.90</u>
Total United States Department of Education			<u>3,200,551.60</u>
United States Department of Health and Human Services:			
Indirect:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	<u>67,500.00</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>60,078.96</u>
Total Expenditures of Federal Awards			\$ 4,506,144.49

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance:
- (A) National School Lunch Program - Includes \$94,287.48 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Donation of Federal Surplus Personal Property - Represents 23.3 percent of the original acquisition costs of the donated Federal surplus personal property obtained during the fiscal year.
- (3) Teacher Incentive Fund. Total expenditures for CFDA No. 84.374: \$24,651.27
- (4) Career and Technical Education - Basic Grants to States. Total expenditures for CFDA No. 84.048: \$118,895.14.



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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***

Report on the Financial Statements

We have audited, 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, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds as described in our report on the Bradford County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **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** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2014



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Bradford County District School Board's compliance with the types of compliance requirements described in the *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, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2014

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
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:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.063	Federal Pell Grant Program
84.027 and 84.173	Special Education Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
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, 2013**

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)4.b., Florida Statutes, provides that, for instructional personnel, the Board must 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 established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

While the salary schedule and union contract provided for certain types of differentiated pay, without a Board-established documented process for identifying which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2012-137 and 2013-084.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Tangible Personal Property

Chapter 274, Florida Statutes, and Department of Financial Services Rule 69I-73, Florida Administrative Code, require that the District maintain adequate records of tangible personal property (TPP) in its custody and that the property be inventoried annually, compared to the property records, and that all discrepancies be reconciled. Any property items found during the inventory meeting the capitalization requirements must be included in the inventory records, and items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. In addition, based on the results of the investigation, the District is required to file a report with the appropriate law enforcement agency if items are not located.

At June 30, 2013, the District reported, net of accumulated depreciation, \$30.3 million in capital assets, of which \$2.2 million was TPP (i.e., furniture, fixtures, and equipment, and motor vehicles). The District performed a complete physical inventory of TPP during the 2012-13 fiscal year. However, our tests disclosed that District controls over TPP could be improved as discussed below.

In September 2013, we selected 17 property items with costs totaling \$19,345 from the property records for observation at the designated locations (i.e., records to property test), and selected 4 property items with estimated costs of \$1,899, tagged as District property, from District locations to determine whether the items were listed in the property records (i.e., property to records test).

For our property to records test, we were able to trace selected items to the property records; however, for the records to property test, we noted 5 computers with total costs of \$6,171 that were missing as of September 2013, although they were listed as located on the Bradford High School's most recent physical inventory dated June 2013. While District personnel confirmed that the 5 computers were missing, they could not explain why the items were missing.

Annual reconciliations of TPP records to physical inventories, with discrepancies thoroughly investigated and resolved, and reports of missing property promptly filed with the Board and appropriate law enforcement agencies, decrease the risk of loss of TPP. A similar finding was noted in our report No. 2013-084.

Recommendation: The District should strengthen controls over TPP to ensure that results of physical inventories are reconciled to the property records, discrepancies are thoroughly investigated and resolved, and reports of missing TPP, such as the 5 computers identified in our test above, are filed with the Board and appropriate law enforcement agencies for appropriate disposition.

Finding No. 3: Facilities Management

The District's facilities management team is responsible for managing outsourced construction and renovation projects and projects performed by the maintenance department. During the 2012-13 fiscal year, the District had \$500,000 of expenditures for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 9, 2013, the District planned to spend \$1.2 million on construction and renovation projects over the next five fiscal years. Also, the District budgeted \$650,000 of maintenance expenditures for the 2013-14 fiscal year. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$52.1 million and, as shown in the Florida Department of Education's Florida Inventory of School Houses data, the average ages of District permanent and mobile facilities were 36 and 39 years, respectively.

The maintenance department is also responsible for ensuring facilities are safe and suitable for their intended use. The department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the department employed seven employees, and the department's operating cost was \$0.6 million.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for maintenance department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional competitive bid

and construction manager at risk methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance department personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance technique.

- **Accountability.** District personnel indicated that the maintenance department had established goals, such as the timely completion of construction projects and significant maintenance-related job techniques; however, District records did not evidence written goals to address accountability for the department. For example, the District could set goals such as completing construction projects or major maintenance-related jobs that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because an aspect of a project or job did not initially meet building code requirements, and to compare project or job costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its maintenance department is operating as cost-effectively and efficiently as possible.

Recommendation: The District should consider developing written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing additional goals and objectives for the maintenance department to identify cost-effectiveness or efficiency outcomes for department personnel.

Finding No. 4: Information Technology – Written Policies and Procedures

Each information technology (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 had not developed 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 access based on 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; and
- Defining termination procedures, including timely notification of terminations and reassignments and deactivating the access privileges of former or transferred employees, contractors, and vendors.

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. District personnel indicated that they will be changing to a new enterprise system software in the near future and will address these issues at that time. Similar findings were noted in our report Nos. 2012-137 and 2013-084.

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. 5: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program appraises 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, due to staffing issues 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. As of December 2013, District personnel were in the process of preparing a comprehensive training program. 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 our report Nos. 2012-137 and 2013-084.

Recommendation: The District should continue its efforts to 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 – Disaster Recovery Plan

Disaster recovery planning is an important element of IT controls established to manage the availability of critical data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity with 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.

In October 2013, the Board approved a formal disaster recovery agreement with other districts whereby districts included in the agreement 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.

In response to our inquiry, District management indicated that the District is planning to migrate from its current student information, finance, human resources, and property applications software. In making this change, the rewrite of the disaster recovery plan will be addressed. Without a detailed disaster recovery plan, 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 our report Nos. 2012-137 and 2013-084.

Recommendation: The District should ensure that its IT disaster recovery plan contains necessary procedures for minimizing and containing damage, restoring telecommunications capability, resuming the operation of critical systems, and minimizing the disruption to operations in the event of a disaster.

Finding No. 7: 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 to affected parties.

The District had not developed a written IT security incident response plan. District personnel indicated that due to shortage of IT personnel and other priorities, the plan had not been developed. 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 may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources. Similar findings were noted in our report Nos. 2012-137 and 2013-084.

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 District data and IT resources.

Finding No. 8: Information Technology – Data Classification and Application Access Authorization

Application access authorization controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Application access 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.

In response to our inquiry, District management indicated that, because of staffing constraints, it had not classified its data or maintained access authorization documentation, such as security access forms signed by employee supervisors. Data, classified by sensitivity or level of significance, would include items such as social security numbers, student data, and personnel records. Without sufficient data classification and application access authorization controls, there is an increased risk of inappropriate access and unauthorized use, disclosure, or modification of District data and IT resources. Similar findings were noted in our report Nos. 2012-137 and 2013-084.

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

Finding No. 9: 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 personnel who perform programming functions from accessing or updating production data.

In response to our inquiry, District management indicated that it had not developed written program change control procedures and had not restricted programming personnel from accessing or updating production programs and data. District management indicated that it is planning to migrate from its current student information, finance, human

resources, and property applications software. In making this change, new program change control procedures will be developed.

Without effective program change control procedures, the risk is increased that untested, unauthorized, or erroneous program changes could be moved into the production environment without timely detection. Similar findings were noted in our report Nos. 2012-137 and 2013-084.

Recommendation: The District should develop written program change control procedures and restrict programming personnel from accessing or updating production programs and data.

Finding No. 10: Information Technology – Security Controls – Logging and Monitoring of System Activity and User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to logging and monitoring of system activity and user authentication 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 and monitoring of system activity and user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to the District's logging and user authentication were communicated to District management in connection with our report Nos. 2012-137 and 2013-084.

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-084. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-084, Finding No. 1	Audit Report No. 2012-137, Finding No. 1
2	Audit Report No. 2013-084, Finding No. 2	NA
4	Audit Report No. 2013-084, Finding No. 4	Audit Report No. 2012-137, Finding No. 3
5	Audit Report No. 2013-084, Finding No. 5	Audit Report No. 2012-137, Finding No. 5
6	Audit Report No. 2013-084, Finding No. 6	Audit Report No. 2012-137, Finding No. 2
7	Audit Report No. 2013-084, Finding No. 7	Audit Report No. 2012-137, Finding No. 8
8	Audit Report No. 2013-084, Finding No. 8	Audit Report No. 2012-137, Finding No. 4
9	Audit Report No. 2013-084, Finding No. 9	Audit Report No. 2012-137, Finding No. 6
10	Audit Report No. 2013-084, Finding No. 10	Audit Report No. 2012-137, Finding No. 7

NA – Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

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, 2013*

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
2013-084		There were no prior Federal findings.		

**EXHIBIT A
MANAGEMENT’S RESPONSE**



BRADFORD COUNTY SCHOOL DISTRICT

CHAD FARNSWORTH, SUPERINTENDENT

501 W. WASHINGTON STREET • STARKE, FL 32091 • 904.966.6800

February 5, 2014

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, 2013. 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.

Finding 2: Tangible Personal Property

We acknowledge that we need to do a better job on making sure that inventories are conducted on an annual basis and that these inventories are reconciled to the property records. We are in the process of purchasing and implementing the inventory module of the FOCUS software. It is our hope to be able to transfer and begin to bar code inventory items by the end of the current fiscal year.

Finding 3: Facilities Management

We acknowledge that we need to develop written policies and procedures with respect to our facilities management. Due to our very limited facilities department staff, the development of these items will be extremely difficult to do in a timely manner. We, however, will begin working on these items as staff and time permit.

ARCHIE KITTLES, DISTRICT 1 • STACEY SHUFORD CREIGHTON, DISTRICT 2
RANDY JONES, DISTRICT 3 • ELBERT HERSEY, DISTRICT 4 • ROMAN ALVAREZ, DISTRICT 5

WWW.BRADFORDSCHOOLS.ORG

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

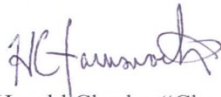
Findings 4-10: Information Technology Comments

We acknowledge that we need to develop policies, procedures and communication pathways with respect to our information technology programs. The Board recently approved the purchase of the FOCUS software. We are currently in the process of training and implementing this new software. As part of the implementation of this software we will be addressing the various information technology comments and building in the necessary controls to address the IT concerns.

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.

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

Sincerely,



Harold Charles "Chad" Farnsworth, III
Superintendent
Bradford County Schools