

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Robert A. Hart to 8-29-08 (1)	1
Glenda B. Hart from 11-18-08	1
Henry J. McCray, Vice Chair to 11-17-08, Chair from 11-18-08	2
Robert D. Koon, Chair to 11-17-08, Vice Chair from 11-18-08	3
Carolyn S. Land to 11-17-08	4
Terry Fillyaw from 11-18-08	4
Jerry Hill	5

Fredric W. Ward, Superintendent to 11-17-08
Thomas H. Lashley, Superintendent from 11-18-08

Note (1): Deceased, position was vacant from 8-30-08 through 11-17-08.

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

The audit team leader was Tiffany R. Wilson, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Danielle M. Alvarez, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

LAFAYETTE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	9
Statement of Net Assets	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	19
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	34
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	37
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	45
EXHIBIT A – MANAGEMENT'S RESPONSE	46

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: Improvements are needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

Finding No. 2: The District lacked written policies and procedures for certain information technology functions.

Finding No. 3: Certain security controls related to the authentication of system processes and users needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Special Education Cluster, and Twenty-First Century programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding as summarized below.

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

Audit Objectives and Scope

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

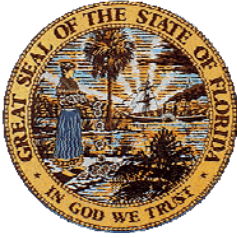
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-125.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of

material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lafayette County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 67 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Lafayette County District School Board as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Lafayette County District School Board's internal control over financial reporting and on our tests of its compliance with

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **BUDGETARY COMPARISON SCHEDULE** (pages 34 and 35) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
January 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Lafayette County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 33.

FINANCIAL HIGHLIGHTS

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

- The assets of the District exceed its liabilities at the close of the 2008-09 fiscal year by \$14,099,473.
- The District's total net assets decreased by \$168,983.
- As of the close of the 2008-09 fiscal year, the District's governmental funds report combined fund balances of \$2,254,473, an increase of \$192,470 in comparison with the 2007-08 fiscal year.
- During the 2008-09 fiscal year, General Fund expenditures exceeded revenues by \$54,572. During the 2007-08 fiscal year, General Fund revenues exceeded expenditures by \$202,575.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

All of the District's nonfiduciary activities and services are reported in the the government-wide statements as governmental activities. The District's governmental activities include its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceed liabilities by \$14,099,473 at the close of the 2008-09 fiscal year. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 2,362,665.27	\$ 2,157,262.60
Capital Assets	12,966,919.75	13,257,947.53
Total Assets	15,329,585.02	15,415,210.13
Long-Term Liabilities	1,121,920.39	1,051,495.42
Other Liabilities	108,191.94	95,259.02
Total Liabilities	1,230,112.33	1,146,754.44
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	12,741,919.75	13,017,947.53
Restricted	1,148,801.00	821,821.60
Unrestricted	208,751.94	428,686.56
Total Net Assets	\$ 14,099,472.69	\$ 14,268,455.69

By far the largest portion of the District’s net assets (90.37 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 of Lafayette County, Florida; consequently, these assets are not available for future spending. Although the District’s investment in 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 cannot be used to liquidate these liabilities.

An additional portion of the District’s net assets (8.15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets totaling \$208,752, may be used to meet the government’s ongoing obligations.

At the end of the current fiscal year, the District is able to report positive balances in net assets. The key elements of the changes in the District’s net assets for the fiscal year ended June 30, 2009, and June 30, 2008, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 147,392.07	\$ 157,396.38
Operating Grants and Contributions	483,525.35	467,102.00
Capital Grants and Contributions	331,377.49	1,032,472.26
General Revenues:		
Property Taxes, Levied for Operational Purposes	1,340,658.18	1,283,172.86
Property Taxes, Levied for Capital Projects	327,190.03	478,076.96
Grants and Contributions Not Restricted to Specific Programs	8,333,448.96	8,659,917.06
Unrestricted Investment Earnings	22,878.03	74,042.51
Miscellaneous	202,340.36	89,676.17
Total Revenues	11,188,810.47	12,241,856.20
Functions/Program Expenses:		
Instruction	5,399,886.89	5,441,989.47
Pupil Personnel Services	560,395.42	547,738.49
Instructional Media Services	135,398.75	162,160.54
Instruction and Curriculum Development Services	731,365.25	751,738.05
Instructional Staff Training Services	282,130.84	259,054.35
Instruction Related Technology	88,688.10	101,961.22
Board of Education	243,721.08	281,186.84
General Administration	286,641.84	251,760.27
School Administration	409,930.64	406,291.13
Facilities Acquisition and Construction	55,455.18	137,792.14
Fiscal Services	255,773.05	245,676.28
Food Services	509,488.60	484,673.65
Central Services	6,273.53	3,678.52
Pupil Transportation Services	652,765.01	687,432.82
Operation of Plant	641,745.45	646,570.37
Maintenance of Plant	370,040.65	344,994.96
Administrative Technology Services	120,142.04	114,882.35
Interest on Long-Term Debt	12,039.14	12,791.50
Unallocated Depreciation Expense	595,912.01	544,407.72
Total Functions/Program Expenses	11,357,793.47	11,426,780.67
Increase (Decrease) in Net Assets	\$ (168,983.00)	\$ 815,075.53

Governmental activities resulted in a decrease in the District’s net assets of \$168,983. Key factors contributing to this decrease include the following:

- A reduction in State Florida Education Finance Program revenue in the amount of \$361,043.
- A decrease in capital grants and contributions of \$701,095. This decrease is primarily a result of the receipt of a Classrooms for Kids allocation totaling \$617,911 for the completion of elementary school classrooms in the previous year, with no allocation received in the current year.
- A reduction in Local Capital Improvement Tax revenue of \$150,887, due to a decrease in the millage rate.

Expenses were consistent with the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the 2008-09 fiscal year, the District's governmental funds report combined ending fund balances of \$2,254,473, an increase of \$192,470 in comparison with the 2007-08 fiscal year. Approximately 77 percent of this total amount, or \$1,740,713, constitutes unreserved fund balances, which are available for spending at the District's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: 1) liquidate contracts and purchase orders outstanding at year-end (\$165,421); 2) pay debt service (\$9,108); 3) fund State categorical programs (\$216,608); 4) provide consumable supplies inventory (\$26,770); and 5) provide for potential claims under the self-insurance plan (\$95,854).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$1,047,659, while the total fund balance is \$1,418,134. During the current fiscal year, unreserved fund balance in the General Fund decreased from \$1,111,734 in 2007-08 fiscal year to \$1,047,659 in the 2008-09 fiscal year. This decrease can be attributed to continued shortfalls in State revenues. However, the District experienced a slight increase in student enrollment to offset a portion of the revenue decrease from the State.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 13.08 percent of total General Fund expenditures, while total fund balance represents 17.71 percent of that same amount. The fund balance of the General Fund decreased by \$3,163 during the current fiscal year.

The Special Revenue – Other Fund has a zero fund balance at the end of the current fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance. Revenues and expenditures increased by \$59,992 primarily due to the receipt of additional Title I revenues.

The Special Revenue - ARRA Economic Stimulus Fund also has a zero fund balance at the end of the 2008-09 fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund also does not generally accumulate a fund balance. Revenues and expenditures were \$9,707 for the 2008-09 fiscal year.

The Capital Projects – Public Education Capital Fund and the Capital Projects - Local Capital Improvement Fund have combined total fund balances of \$773,083, all of which is restricted for capital projects. The combined fund balances increased in the current year by \$192,647 due to a reduced level of expenditures in the 2008-09 fiscal year. Of this amount, \$120,993 is reserved to liquidate purchase orders outstanding at year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District increased its General Fund budgeted revenues by \$45,703. At the same time, final appropriations were more than the original budgeted amounts by \$490,108.

Actual revenues exceeded final budgeted amounts by \$242,532, while actual expenditures were \$904,010 less than final budgeted amounts, due to cost saving measures implemented by the District in anticipation of decreased State funding. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,146,643.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$12,966,920 (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; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the following:

- New construction and replacement of covered walkways at Lafayette Elementary School.
- Demolition of the wooden playground at Lafayette Elementary School.
- Purchase of one school bus.

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

Long-Term Debt

At June 30, 2009, the District had total bonded debt outstanding of \$225,000. The bonds are backed by the full faith and credit of the State of Florida. The District total bonded debt decreased \$15,000 during the 2008-09 fiscal year.

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

OTHER MATTERS OF SIGNIFICANCE

The District was awarded \$ 240,094 in Federal funds from the American Recovery and Reinvestment Act (ARRA) for use in the 2008-09 fiscal year. The act, intended to provide a stimulus to the nation's economy, earmarks Federal revenues for states to use in key educational areas such as the instruction of students with disabilities, services for low-income students, and the stabilization of local school district funding. Additional ARRA revenues were awarded for the 2009-10 fiscal year to assist the District in these areas.

In an environment of uncertain State resources, District staff continues to work with the School Board and administrators to develop cost saving measures to reduce the impact of the nonrecurring ARRA revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Lafayette County District School Board, 363 NE Crawford Street, Mayo, FL 32066-9248.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,072,309.51
Investments	48,541.73
Accounts Receivable	89,864.22
Due from Fiscal Agent	109,138.90
Due from Other Agencies	16,040.90
Inventories	26,770.01
Capital Assets:	
Nondepreciable Capital Assets	214,561.10
Depreciable Capital Assets, Net	<u>12,752,358.65</u>
TOTAL ASSETS	<u>\$ 15,329,585.02</u>
LIABILITIES	
Salaries and Benefits Payable	\$ 65,867.42
Payroll Deductions and Withholdings	19,267.87
Due to Other Agencies	314.63
Matured Interest Payable	427.50
Deferred Revenue	9,029.87
Estimated Insurance Claims Payable	13,284.65
Long-Term Liabilities:	
Portion Due Within One Year	82,430.44
Portion Due After One Year	<u>1,039,489.95</u>
Total Liabilities	<u>1,230,112.33</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,741,919.75
Restricted for:	
State Categorical Programs	216,607.82
Debt Service	9,108.04
Capital Projects	807,802.38
Other Purposes	115,282.76
Unrestricted	<u>208,751.94</u>
Total Net Assets	<u>14,099,472.69</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,329,585.02</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,399,886.89	\$ 8,649.50	\$	\$ (5,391,237.39)
Pupil Personnel Services	560,395.42			(560,395.42)
Instructional Media Services	135,398.75			(135,398.75)
Instruction and Curriculum Development Services	731,365.25			(731,365.25)
Instructional Staff Training Services	282,130.84			(282,130.84)
Instruction Related Technology	88,688.10			(88,688.10)
Board of Education	243,721.08			(243,721.08)
General Administration	286,641.84			(286,641.84)
School Administration	409,930.64			(409,930.64)
Facilities Acquisition and Construction	55,455.18		304,930.05	249,474.87
Fiscal Services	255,773.05			(255,773.05)
Food Services	509,488.60	122,824.54	296,559.35	(90,104.71)
Central Services	6,273.53			(6,273.53)
Pupil Transportation Services	652,765.01	15,918.03	186,966.00	(449,880.98)
Operation of Plant	641,745.45			(641,745.45)
Maintenance of Plant	370,040.65			(370,040.65)
Administrative Technology Services	120,142.04			(120,142.04)
Interest on Long-Term Debt	12,039.14			14,408.30
Unallocated Depreciation Expense	595,912.01			(595,912.01)
Total Governmental Activities	\$ 11,357,793.47	\$ 147,392.07	\$ 483,525.35	\$ 331,377.49
General Revenues:				
Taxes:				
				1,340,658.18
				327,190.03
				8,333,448.96
				22,878.03
				202,340.36
Total General Revenues				10,226,515.56
Change in Net Assets				(168,983.00)
Net Assets - Beginning				14,268,455.69
Net Assets - Ending				\$ 14,099,472.69

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

THIS PAGE INTENTIONALLY LEFT BLANK.

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,249,564.57	\$ 9,044.50	\$
Investments	40,668.95		
Accounts Receivable	89,864.22		
Due from Fiscal Agent	109,138.90		
Due from Other Agencies	14,031.36		
Inventories	13,586.34		
TOTAL ASSETS	\$ 1,516,854.34	\$ 9,044.50	\$
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 65,867.42	\$	\$
Payroll Deductions and Withholdings	19,267.87		
Due to Other Agencies	300.00	14.63	
Matured Interest Payable			
Deferred Revenue		9,029.87	
Estimated Insurance Claims Payable	13,284.65		
Total Liabilities	98,719.94	9,044.50	
Fund Balances:			
Reserved for State Categorical Programs	216,607.82		
Reserved for Encumbrances	44,427.17		
Reserved for Inventories	13,586.34		
Reserved for Self-Insurance	95,854.25		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	1,047,658.82		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	1,418,134.40		
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,516,854.34	\$ 9,044.50	\$ 0.00

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 238,921.85	\$ 533,552.59	\$ 41,226.00	\$ 2,072,309.51
		7,872.78	48,541.73
			89,864.22
			109,138.90
	608.35	1,401.19	16,040.90
		13,183.67	26,770.01
<u>\$ 238,921.85</u>	<u>\$ 534,160.94</u>	<u>\$ 63,683.64</u>	<u>\$ 2,362,665.27</u>
\$	\$	\$	\$ 65,867.42
			19,267.87
			314.63
		427.50	427.50
			9,029.87
			13,284.65
		<u>427.50</u>	<u>108,191.94</u>
4,443.90	116,549.50		216,607.82
			165,420.57
		13,183.67	26,770.01
			95,854.25
		9,108.04	9,108.04
			1,047,658.82
		6,244.84	6,244.84
<u>234,477.95</u>	<u>417,611.44</u>	<u>34,719.59</u>	<u>686,808.98</u>
<u>238,921.85</u>	<u>534,160.94</u>	<u>63,256.14</u>	<u>2,254,473.33</u>
<u>\$ 238,921.85</u>	<u>\$ 534,160.94</u>	<u>\$ 63,683.64</u>	<u>\$ 2,362,665.27</u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds	\$	2,254,473.33
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		12,966,919.75
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 225,000.00	
Special Termination Benefits Payable	233,544.30	
Compensated Absences Payable	663,376.09	(1,121,920.39)
Total Net Assets - Governmental Activities	\$	14,099,472.69

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$	\$ 761,652.93	\$
Federal Through State and Local	53,968.27	1,380,553.58	9,706.51
State	6,315,000.61		
Local:			
Property Taxes	1,340,658.18		
Charges for Services - Food Service			
Miscellaneous	243,226.86	100.00	
Total Revenues	<u>7,952,853.92</u>	<u>2,142,306.51</u>	<u>9,706.51</u>
Expenditures			
Current - Education:			
Instruction	4,154,118.98	1,204,654.26	1,554.19
Pupil Personnel Services	317,906.54	236,969.34	
Instructional Media Services	136,034.87		
Instruction and Curriculum Development Services	269,250.69	456,326.17	3,576.49
Instructional Staff Training Services	155,941.47	122,618.96	
Instruction Related Technology	87,988.41		
Board of Education	239,593.56		
General Administration	212,325.78	72,220.78	228.83
School Administration	399,044.17		
Facilities Acquisition and Construction	15,845.66		
Fiscal Services	254,150.24		
Food Services			
Central Services	5,962.02	95.32	
Pupil Transportation Services	571,187.16	18,377.83	
Operation of Plant	632,372.04	1,776.85	
Maintenance of Plant	367,724.03		
Administrative Technology Services	119,288.16		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	17,789.33		
Other Capital Outlay	50,903.20	29,167.00	4,347.00
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>8,007,426.31</u>	<u>2,142,206.51</u>	<u>9,706.51</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(54,572.39)</u>	<u>100.00</u>	
Other Financing Sources (Uses)			
Transfers In	132,409.66		
Transfers Out	(81,000.00)	(100.00)	
Total Other Financing Sources (Uses)	<u>51,409.66</u>	<u>(100.00)</u>	
Net Change in Fund Balances	(3,162.73)		
Fund Balances, Beginning	1,421,297.13		
Fund Balances, Ending	<u>\$ 1,418,134.40</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		289,730.35	761,652.93
294,961.00		42,778.55	1,733,958.71
	327,190.03		6,652,740.16
		122,824.54	1,667,848.21
593.04	5,356.62	509.40	122,824.54
			249,785.92
<u>295,554.04</u>	<u>332,546.65</u>	<u>455,842.84</u>	<u>11,188,810.47</u>
			5,360,327.43
			554,875.88
			136,034.87
			729,153.35
			278,560.43
			87,988.41
			239,593.56
			284,775.39
			399,044.17
17,666.52	21,943.00		55,455.18
		506,817.78	254,150.24
			506,817.78
			6,057.34
			589,564.99
			634,148.89
			367,724.03
			119,288.16
43,201.40	128,083.98		189,074.71
7,351.72	84,897.85		176,666.77
		15,000.00	15,000.00
		12,039.14	12,039.14
<u>68,219.64</u>	<u>234,924.83</u>	<u>533,856.92</u>	<u>10,996,340.72</u>
<u>227,334.40</u>	<u>97,621.82</u>	<u>(78,014.08)</u>	<u>192,469.75</u>
		81,000.00	213,409.66
(60,596.26)	(71,713.40)		(213,409.66)
(60,596.26)	(71,713.40)	81,000.00	
166,738.14	25,908.42	2,985.92	192,469.75
72,183.71	508,252.52	60,270.22	2,062,003.58
<u>\$ 238,921.85</u>	<u>\$ 534,160.94</u>	<u>\$ 63,256.14</u>	<u>\$ 2,254,473.33</u>

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Governmental Funds	\$	192,469.75
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.		(291,027.78)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.		15,000.00
In the statement of activities, the cost of special termination benefits is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for special termination benefits. This is the net amount of special termination benefits earned in excess of the amount paid in the current period.		(23,234.64)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.		(62,190.33)
Change in Net Assets - Governmental Activities	\$	(168,983.00)

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 126,660.00
LIABILITIES	
Internal Accounts Payable	\$ 126,660.00

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

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

➤ **Basis of Presentation**

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

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources to be used for new construction and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and 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 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, special termination benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective, July 1, 2009, is known as Florida PRIME.

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

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

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

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

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

➤ **Inventories**

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

➤ **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.

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

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	10 - 35 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same

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

categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 9, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

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

- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit the District's investment choices, and the policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investments, reported as cash equivalents, with a fair value of \$112,593.61 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$40,668.95 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$7,872.78 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

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

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 214,561.10	\$	\$	\$ 214,561.10
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,001,397.67		112,581.78	888,815.89
Buildings and Fixed Equipment	17,724,398.11	189,074.71		17,913,472.82
Furniture, Fixtures, and Equipment	1,669,597.12	62,570.43	125,617.54	1,606,550.01
Motor Vehicles	868,144.96	84,897.85		953,042.81
Audio Visual Materials and Computer Software	360,729.71	29,198.49		389,928.20
Total Capital Assets Being Depreciated	21,624,267.57	365,741.48	238,199.32	21,751,809.73
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	668,301.75	33,742.59	112,581.78	589,462.56
Buildings and Fixed Equipment	5,660,517.21	392,925.52		6,053,442.73
Furniture, Fixtures, and Equipment	1,262,458.84	142,232.93	125,617.54	1,279,074.23
Motor Vehicles	696,850.18	60,857.25		757,707.43
Audio Visual Materials and Computer Software	292,753.16	27,010.97		319,764.13
Total Accumulated Depreciation	8,580,881.14	656,769.26	238,199.32	8,999,451.08
Total Capital Assets Being Depreciated, Net	13,043,386.43	(291,027.78)		12,752,358.65
Governmental Activities Capital Assets, Net	\$ 13,257,947.53	\$ (291,027.78)	\$ 0.00	\$ 12,966,919.75

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 60,857.25
Unallocated	595,912.01
Total Depreciation Expense - Governmental Activities	\$ 656,769.26

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

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2000A	\$ 15,000	5.125	2010
Series 2005B, Refunding	210,000	5.0	2020
Total Bonds Payable	\$ 225,000		

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

State School Bonds

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 26,268.75	\$ 15,000.00	\$ 11,268.75
2011	25,500.00	15,000.00	10,500.00
2012	24,750.00	15,000.00	9,750.00
2013	29,000.00	20,000.00	9,000.00
2014	28,000.00	20,000.00	8,000.00
2015-2019	139,250.00	115,000.00	24,250.00
2020	26,250.00	25,000.00	1,250.00
Total	\$ 299,018.75	\$ 225,000.00	\$ 74,018.75

6. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 2000A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for all future debt service payments on the old State School Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are

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

not included in the District’s financial statements. On June 30, 2009, State School Bonds, Series 2000A, totaling \$210,000 outstanding are considered defeased in substance.

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 240,000.00	\$	\$ 15,000.00	\$ 225,000.00	\$ 15,000.00
Special Termination Benefits Payable	210,309.66	60,779.80	37,545.16	233,544.30	35,385.50
Compensated Absences Payable	601,185.76	75,727.95	13,537.62	663,376.09	32,044.94
Total Governmental Activities	\$ 1,051,495.42	\$ 136,507.75	\$ 66,082.78	\$ 1,121,920.39	\$ 82,430.44

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

8. INTERFUND TRANSFERS

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 132,409.66	\$ 81,000.00
Special Revenue:		
Other		100.00
Capital Projects:		
Public Education Capital Outlay		60,596.26
Local Capital Improvement		71,713.40
Nonmajor Governmental	81,000.00	
Total	\$ 213,409.66	\$ 213,409.66

Transfers were primarily to reimburse the General Fund for maintenance and capital outlay expenditures and to supplement food service operations.

9. RESERVE FOR ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year’s appropriations are likewise encumbered.

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

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

Because revenues of grants accounted for in the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund total \$20,112 and \$629.66, respectively, at June 30, 2009.

10. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 4,542,157.00
Categorical Educational Programs:	
Class Size Reduction	1,045,170.00
Transportation	186,966.00
Instructional Materials	105,490.00
School Recognition	43,614.00
Florida Teachers Lead	14,870.00
Other	84,434.02
Gross Receipts Tax (Public Education Capital Outlay)	294,961.00
Workforce Development Program	47,508.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	36,416.49
Discretionary Lottery Funds	24,585.00
Food Service Supplement	6,829.00
Mobile Home License Tax	3,851.20
Miscellaneous	215,888.45
Total	<u>\$ 6,652,740.16</u>

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

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

11. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.950	\$ 1,239,271
Basic Discretionary Local Effort	0.498	124,678
Supplemental Discretionary Local Effort	0.250	62,590
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.388	347,496
Total	<u>7.086</u>	<u>\$ 1,774,035</u>

12. FLORIDA RETIREMENT SYSTEM

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 12 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$75,993.12.

FRS Retirement Contribution Rates

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

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

- Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$523,829.97, \$569,914.58, and \$562,658.57, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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

13. SPECIAL TERMINATION BENEFITS

The agreements between the Lafayette County District School Board and the Lafayette Education Association provide for the payment of special termination benefits to employees who elect to retire in their first year of eligibility for normal retirement under the Florida Retirement System and have at least ten years of continuous service as a District employee. Employees participating in DROP are not eligible to participate. For employees electing to participate, the District pays a one-time bonus equal to 20 percent of their annual salary and pays a portion of the cost of health insurance premiums until the participants become eligible for Medicare. The School Board reserves the right to withdraw the special termination benefits for any particular year after computing the financial impact of the benefits. The total paid by the District pursuant to this retirement incentive during the 2008-09 fiscal year was \$44,101.57, and the estimated liability at June 30, 2009, for the eight persons participating in the incentive, is \$233,544.30.

14. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lafayette County District School Board participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District's covered risks related to comprehensive property and liability insurance, general liability, workers' compensation, money and securities, and employees' fidelity and faithful performance are included in the group program. The program is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts.

The District also participates in supplemental employee group insurance programs administered through the North East Florida Educational Consortium (Consortium) for life, dental, vision, disability, and accidental death and dismemberment. The Consortium is governed by a board of directors composed of the superintendents of participating school districts. The program is self-sustaining through member assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Consortium offices are located in Putnam County, and the Putnam County District School Board is the fiscal agent. 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. Accordingly, the District reports the District's estimated liability for unpaid claims. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management programs.

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

A liability in the amount of \$13,284.65 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2009.

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

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 8,385.87	\$ 159,364.87	\$ (160,150.81)	\$ 7,599.93
2008-09	7,599.93	158,127.28	(152,442.56)	13,284.65

The District's health and hospitalization coverage is being provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local		35,471.70	53,968.27	18,496.57
State	6,318,808.22	6,308,877.11	6,315,000.61	6,123.50
Local:				
Property Taxes	1,345,810.00	1,335,654.22	1,340,658.18	5,003.96
Miscellaneous		30,318.57	243,226.86	212,908.29
Total Revenues	7,664,618.22	7,710,321.60	7,952,853.92	242,532.32
Expenditures				
Current - Education:				
Instruction	4,378,589.20	4,467,562.41	4,154,118.98	313,443.43
Pupil Personnel Services	389,134.33	365,573.84	317,906.54	47,667.30
Instructional Media Services	163,785.83	148,846.27	136,034.87	12,811.40
Instruction and Curriculum Development Services	269,524.00	278,727.88	269,250.69	9,477.19
Instructional Staff Training Services	137,990.48	175,074.75	155,941.47	19,133.28
Instruction Related Technology	114,092.45	114,883.92	87,988.41	26,895.51
Board of Education	229,053.54	250,989.01	239,593.56	11,395.45
General Administration	208,896.32	219,574.17	212,325.78	7,248.39
School Administration	368,966.57	425,787.55	399,044.17	26,743.38
Facilities Acquisition and Construction	35,407.57	36,269.32	15,845.66	20,423.66
Fiscal Services	240,251.90	270,699.89	254,150.24	16,549.65
Central Services	3,689.00	7,134.47	5,962.02	1,172.45
Pupil Transportation Services	651,040.50	675,138.17	571,187.16	103,951.01
Operation of Plant	668,843.29	765,693.24	632,372.04	133,321.20
Maintenance of Plant	364,184.55	434,566.03	367,724.03	66,842.00
Administrative Technology Services	115,756.00	131,242.12	119,288.16	11,953.96
Fixed Capital Outlay:				
Facilities Acquisition and Construction	28,295.17	35,132.43	17,789.33	17,343.10
Other Capital Outlay	53,828.38	108,541.15	50,903.20	57,637.95
Total Expenditures	8,421,329.08	8,911,436.62	8,007,426.31	904,010.31
Excess (Deficiency) of Revenues Over Expenditures	(756,710.86)	(1,201,115.02)	(54,572.39)	1,146,542.63
Other Financing Sources (Uses)				
Transfers In		132,309.66	132,409.66	100.00
Transfers Out	(35,000.00)	(81,000.00)	(81,000.00)	
Total Other Financing Sources (Uses)	(35,000.00)	51,309.66	51,409.66	100.00
Net Change in Fund Balances	(791,710.86)	(1,149,805.36)	(3,162.73)	1,146,642.63
Fund Balances, Beginning	1,421,297.13	1,421,297.13	1,421,297.13	
Fund Balances, Ending	\$ 629,586.27	\$ 271,491.77	\$ 1,418,134.40	\$ 1,146,642.63

Special Revenue - Other				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 677,593.46	\$ 2,205,389.47	\$ 761,652.93	\$ (1,443,736.54)	\$	\$	\$	\$
403,390.63	1,642,198.44	1,380,553.58	(261,644.86)		240,094.00	9,706.51	(230,387.49)
	100.00	100.00					
1,080,984.09	3,847,687.91	2,142,306.51	(1,705,381.40)		240,094.00	9,706.51	(230,387.49)
517,899.98	1,863,526.50	1,204,654.26	658,872.24		81,125.00	1,554.19	79,570.81
172,650.22	630,602.90	236,969.34	393,633.56		10,000.00		10,000.00
256,976.59	919,807.95	456,326.17	463,481.78		40,039.00	3,576.49	36,462.51
32,028.17	168,144.19	122,618.96	45,525.23		16,766.00		16,766.00
25,964.38	107,520.39	72,220.78	35,299.61		6,650.00	228.83	6,421.17
1,750.00	3,500.00		3,500.00				
	929.48		929.48				
	97.71	95.32	2.39				
12,501.52	22,263.52	18,377.83	3,885.69				
4,730.69	12,350.09	1,776.85	10,573.24				
13,042.47	22,155.46		22,155.46				
43,440.07	96,689.72	29,167.00	67,522.72		85,514.00	4,347.00	81,167.00
1,080,984.09	3,847,587.91	2,142,206.51	1,705,381.40		240,094.00	9,706.51	230,387.49
	100.00	100.00					
	(100.00)	(100.00)					
	(100.00)	(100.00)					
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

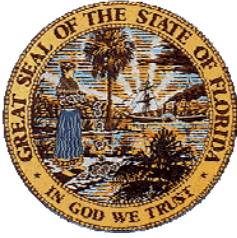
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 41,093.43
National School Lunch Program	10.555	300, 350	224,509.68
Summer Food Service Program for Children	10.559	323	3,188.29
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	21,538.30
Total United States Department of Agriculture			290,329.70
United States Department of Education:			
Direct:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	761,652.93
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	240,210.64
Special Education - Preschool Grants	84.173	267	9,502.54
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	9,706.51
Total Special Education Cluster			259,419.69
Adult Education - Basic Grants to States	84.002	191	33,754.00
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	418,029.04
Migrant Education - State Grant Program	84.011	217	16,612.15
Career and Technical Education - Basic Grants to States	84.048	151	48,540.03
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	3,940.77
Education for Homeless Children and Youth	84.196	127	53,451.26
Even Start - State Educational Entities	84.213	219	155,526.98
Twenty-First Century Community Learning Centers	84.287	244	288,992.26
State Grants for Innovative Programs	84.298	113	978.00
Education Technology State Grants	84.318	121	2,847.21
Rural Education	84.358	110	32,276.88
Improving Teacher Quality State Grants	84.367	224	75,891.82
Putnam County District School Board:			
Reading First State Grants	84.357	None	35,471.70
Total Indirect			1,425,731.79
Total United States Department of Education			2,187,384.72
Total Expenditures of Federal Awards			\$ 2,477,714.42

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

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lafayette County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Lafayette County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

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

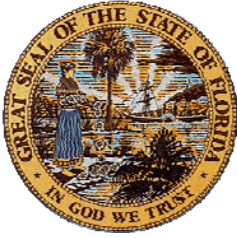
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
January 22, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

Compliance

We have audited the Lafayette County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 22, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); and Twenty-First Century Community Learning Centers (CFDA No. 84.287)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Also, procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

During the 2008-09 school year, the District reported 7,611 contact hours to FDOE, and we tested 1,081 hours by reviewing attendance records for 11 students enrolled in adult general education courses in the spring semester. Our test disclosed instances in which attendance records and hours reported did not agree, resulting in a range of 15 to 122 hours overreported for eight students, and from 5.5 to 110 hours underreported for three students, or 416 net hours overreported. District personnel indicated that these exceptions were mainly due to oversights. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2009-125.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to FDOE.

Finding No. 2: Information Technology – 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 lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), service IDs, administrator IDs, and administrator passwords.
- Requesting, creating, and modifying user accounts and associated access privileges.
- Revoking or altering access privileges of former or transferred employees.
- Reviewing user access privileges.
- Monitoring and reviewing logs of system events.

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

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

Finding No. 3: Information Technology – Authentication of System Processes and Users

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to the authentication of system processes and users that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agencies: United States Department of Agriculture and United States Department of Education
Pass-Through Entity: Florida Department of Education

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

Finding Type: Noncompliance

Questioned Costs: Not applicable

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

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

Grant (CFDA Number)	Award Amount
ARRA – Child Nutrition Discretionary (10.579)	\$ 44,800
ARRA – Education Technology (84.386)	5,864
ARRA – Education for Homeless Children and Youth (84.387)	17,475
ARRA – Title I (84.389)	82,222
ARRA – Special Education (84.391)	132,394
ARRA – Special Education, Preschool (84.392)	4,170
ARRA – State Fiscal Stabilization (84.394)	326,541
ARRA – State Fiscal Stabilization (84.397)	2,939

Our review of District records and inquiry with District personnel disclosed that the District did not designate anyone to monitor the District’s ARRA Federal reporting requirements, and had not registered in the CCR system. Subsequent to our inquiries, the District designated the Business Manager to monitor the ARRA Federal reporting requirements and, on September 1, 2009, registered with CCR. Without timely registration in the CCR system, the District may be limited in its eligibility to receive ARRA Federal funds.

Recommendation: The District should continue its efforts to ensure timely renewal in the Central Contractor Registration website on an annual basis as required.

District Contact Person: Pam Ward, Business Manager

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-125.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2008-032 (2)	Safe and Drug-Free Schools and Communities - National Programs (CFDA No. 84.184)/ Procurement - Contract Administration	The District did not include certain required provisions in four contracts, totaling \$107,137.	Corrected	
2009-125 (1)	Safe and Drug-Free Schools and Communities - National Programs (CFDA No. 84.184)/Procurement - Suspension and Debarment and Contract Provisions	For one vendor paid \$83,635, the District did not certify that it was not suspended or debarred from receiving Federal funds. Also, the District did not include certain required provisions in three contracts, totaling \$198,000.	Corrected	

EXHIBIT A
MANAGEMENT'S RESPONSE



THOMAS LASHLEY
SUPERINTENDENT

Lafayette County School Board

363 N.E. Crawford Street • Mayo, Florida 32066-9248
Telephone: (386) 294-1351
FAX: (386) 294-3072

January 22, 2010

Mr. David W. Martin, CPA
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32302

Dear Mr. Martin:

I am in receipt of the preliminary and tentative findings for the fiscal year ending June 30, 2009. The response to the findings is as follows:

Adult General Education Courses: District personnel have implemented additional attendance procedures to correctly report the instructional contact hours for adult general education courses to Florida Department of Education.

Information Technology – Policies and Procedures: District personnel will implement policies and procedures to address the scope and function of the five areas of concern to ensure an effective controlled environment.

Information Technology – Authentication of System Processes and Users: District personnel has implemented security controls to ensure authentication of system processes including continued confidentiality, integrity and availability of the District's Information Technology System.

Federal Awards – Reporting and Special Tests Provisions (ARRA): District personnel will continue to monitor the reporting requirements as an ARRA grant recipient and ensure timely renewal on the Central Contractor Registration System on an annual basis.

I wish to commend Cathy Bandy and Tiffany Wilson from the Lake City Division for conducting this audit in a very timely and professional manner. We value their knowledge and expertise relating to school operations.

Sincerely,

Thomas H. Lashley
Superintendent of Schools

THL/psw

GLENDIA B. HART
DISTRICT ONE

HENRY McCRAY
DISTRICT TWO

BOBBY KOON
DISTRICT THREE

TERRY FILLYAW
DISTRICT FOUR

JERRY HILL
DISTRICT FIVE

- An Equal Opportunity Employer -