

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2012



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Archie Kittles	1
Stacey Shuford Creighton, Vice Chair from 11-22-11	2
Randy Jones, Vice Chair to 11-21-11, Chair from 11-22-11	3
Vivian O. Chappell, Chair to 11-21-11	4
Roman Alvarez	5

Dr. Beth Moore, Superintendent

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

The audit was coordinated by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**BRADFORD COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Controls over tangible personal property could be improved.

Finding No. 3: The District needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

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

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

Finding No. 6: The District's IT disaster recovery plan needed improvement.

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

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

Finding No. 9: The District did not have a formal program change methodology that documented the IT program change process and did not restrict programmers from accessing or updating production programs and data.

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

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

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

- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2012-137.

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, 2012. 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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bradford County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 70 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Bradford County District School Board as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Bradford County Education Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2011-12 fiscal year. This affects the comparability of the amounts reported for the 2010-11 fiscal year with the amounts reported for the 2011-12 fiscal year.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
January 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District of Bradford County, Florida's (District) discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2012, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the five elected members of the School Board (Board). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- The District's financial status was stable for the 2011-12 fiscal year. Over the course of the fiscal year, total net assets decreased from \$34.9 million to \$34.3 million.
- General revenues accounted for \$27.7 million, or 92 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2.3 million, or 8 percent of total revenues of \$30 million.
- The District had \$30.5 million in expenses. Only \$2.3 million were offset by program specific charges for services, grants or contributions. General revenues, primarily ad valorem taxes and Florida Education Finance Program revenues, were used to provide for the remaining expenses of these programs.
- The General Fund (the primary operating fund), reported on a current financial resources basis, ended the year with a fund balance of \$4.1 million, which is \$0.2 million less than the previous fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

	Government-wide Statements	Governmental Funds	Fiduciary Funds
		<i>Scope</i>	Entire District (except fiduciary funds)
<i>Required financial statements</i>	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net assets Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has the following types of funds:

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

Notes to Financial Statements

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$34.3 million at June 30, 2012. The largest portion of the District's net assets (90 percent) reflect its investment in capital assets (i.e., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities. An additional portion of the District's net assets (\$1.7 million) represents resources that are subject to external restrictions on how they may be used.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-12	6-30-11
Current and Other Assets	\$ 6,249,740.83	\$ 6,694,048.81
Capital Assets	<u>31,202,142.99</u>	<u>31,587,783.85</u>
Total Assets	<u>37,451,883.82</u>	<u>38,281,832.66</u>
Long-Term Liabilities	2,540,585.16	2,756,831.22
Other Liabilities	<u>569,180.42</u>	<u>648,277.60</u>
Total Liabilities	<u>3,109,765.58</u>	<u>3,405,108.82</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	30,838,973.34	31,098,503.00
Restricted	1,743,625.15	2,110,716.35
Unrestricted	<u>1,759,519.75</u>	<u>1,667,504.49</u>
Total Net Assets	<u>\$ 34,342,118.24</u>	<u>\$ 34,876,723.84</u>

The largest portion of the District’s net assets (90 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental	
	Activities	
	6-30-12	6-30-11
Program Revenues:		
Charges for Services	\$ 990,477.05	\$ 995,787.46
Operating Grants and Contributions	1,180,437.53	1,112,622.95
Capital Grants and Contributions	140,725.84	583,513.55
General Revenues:		
Property Taxes, Levied for Operational Purposes	5,645,909.18	5,824,095.31
Property Taxes, Levied for Capital Projects	1,343,012.43	1,133,366.69
Grants and Contributions Not Restricted to Specific Programs	20,342,078.09	23,661,744.40
Unrestricted Investment Earnings	582.87	649.78
Miscellaneous	348,159.97	533,288.19
Total Revenues	29,991,382.96	33,845,068.33
Functions/Program Expenses:		
Instruction	16,186,953.14	16,500,383.16
Pupil Personnel Services	1,117,570.74	1,123,492.02
Instructional Media Services	272,344.80	359,266.90
Instruction and Curriculum Development Services	740,330.31	546,333.86
Instructional Staff Training Services	339,737.58	669,888.35
Instruction Related Technology	214,486.04	350,003.19
School Board	304,753.73	326,194.72
General Administration	307,152.23	323,163.88
School Administration	1,782,000.84	1,801,856.82
Facilities Acquisition and Construction	145,372.52	1,500.00
Fiscal Services	292,544.44	297,894.32
Food Services	1,529,321.54	1,497,845.97
Central Services	258,359.33	227,199.91
Pupil Transportation Services	1,982,629.93	1,727,805.47
Operation of Plant	2,427,449.41	2,609,477.13
Maintenance of Plant	537,545.79	694,485.99
Administrative Technology Services	393,842.05	343,079.64
Community Services	122,592.41	126,663.29
Unallocated Interest on Long-Term Debt	34,419.52	29,873.59
Unallocated Depreciation Expense	1,536,582.21	1,588,041.61
Total Functions/Program Expenses	30,525,988.56	31,144,449.82
Increase (Decrease) in Net Assets	\$ (534,605.60)	\$ 2,700,618.51

The largest revenue source is the State of Florida (55 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula

utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues decreased by \$3.3 million, or 14 percent, primarily due to the ending of the American Recovery and Reinvestment Act (AARA) grants.

Instruction expenses represent 53 percent of total governmental expenses during the 2011-12 fiscal year. Instruction expenses decreased by \$0.3 million, or 2 percent, from the previous fiscal year due mainly to a reduction in required Florida Retirement System contributions.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$2.8 million, while the total fund balance is \$4.1 million. Total fund balance remained relatively stable as compared to the previous fiscal year, only decreasing by \$0.2 million during the fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of \$3.4 million each, and the funding was mainly used for instruction. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$0.2 million each, and the funding was mainly used for instruction and instructional support. Because grant revenues attributed to grants accounted for in these funds are not recognized until expenditures are incurred, the funds generally do not accumulate fund balances.

The Capital Projects – Local Capital Improvement (LCI) Fund has total fund balance of \$1.4 million. This fund is restricted for the acquisition, construction, and maintenance of capital assets, and the fund balance, as compared to the prior fiscal year, remained stable. It should be noted that \$45,531 has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2011-12 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues amounting to \$0.5 million, or 2 percent. At the same time, final appropriations are more than the original budgeted amounts by \$0.8 million. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are \$1.6 million, or 6 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2.1 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$31.2 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; and audio visual material and computer software.

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

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$0.4 million, comprised primarily of bonds payable.

During the current fiscal year, the District participated in the State Board of Education's issuance of State School Bonds, Series 2011-A Refunding Bond, in the amount of \$0.3 million, which is secured by a pledge of the District's portion of the State-assessed motor vehicle license tax, as well as the State's full faith and credit. Proceeds were used to refund the Series 2002-B bonds.

Additional information on the District's long-term debt can be found in notes 5 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The State of Florida continues to be in a budget crisis. While the District is expecting to receive more moneys from the State's FEFP program for the 2012-13 fiscal year, these moneys are far short of the \$1.8 million cut in State funding that occurred in the 2011-12 fiscal year. In addition, although enrollment did appear to be stabilizing after years of being in declining enrollment, the District has projected and is experiencing a decline in enrollment for the upcoming fiscal year.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,695,737.90
Investments	64,193.23
Accounts Receivable	31,664.42
Due from Fiscal Agent	56,887.86
Due from Other Agencies	255,224.55
Inventories	146,032.87
Capital Assets:	
Nondepreciable Capital Assets	489,359.10
Depreciable Capital Assets, Net	<u>30,712,783.89</u>
TOTAL ASSETS	<u>\$ 37,451,883.82</u>
LIABILITIES	
Payroll Deductions and Withholdings	\$ 259,508.27
Accounts Payable	309,672.15
Long-Term Liabilities:	
Portion Due Within One Year	220,171.48
Portion Due After One Year	<u>2,320,413.68</u>
Total Liabilities	<u>3,109,765.58</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	30,838,973.34
Restricted for:	
State Required Carryover Programs	135,022.41
Debt Service	9,585.65
Capital Projects	1,540,070.82
Food Service	58,946.27
Unrestricted	<u>1,759,519.75</u>
Total Net Assets	<u>34,342,118.24</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,451,883.82</u>

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 16,186,953.14	\$ 363,796.87	\$	\$	\$ (15,823,156.27)
Pupil Personnel Services	1,117,570.74				(1,117,570.74)
Instructional Media Services	272,344.80				(272,344.80)
Instruction and Curriculum Development Services	740,330.31				(740,330.31)
Instructional Staff Training Services	339,737.58				(339,737.58)
Instruction Related Technology	214,486.04				(214,486.04)
School Board	304,753.73				(304,753.73)
General Administration	307,152.23				(307,152.23)
School Administration	1,782,000.84				(1,782,000.84)
Facilities Acquisition and Construction	145,372.52			26,346.71	(119,025.81)
Fiscal Services	292,544.44	37,160.76			(255,383.68)
Food Services	1,529,321.54	400,898.90	1,180,437.53		52,014.89
Central Services	258,359.33				(258,359.33)
Pupil Transportation Services	1,982,629.93				(1,982,629.93)
Operation of Plant	2,427,449.41				(2,427,449.41)
Maintenance of Plant	537,545.79				(537,545.79)
Administrative Technology Services	393,842.05				(393,842.05)
Community Services	122,592.41	188,620.52			66,028.11
Unallocated Interest on Long-Term Debt	34,419.52			114,379.13	79,959.61
Unallocated Depreciation Expense*	1,536,582.21				(1,536,582.21)
Total Governmental Activities	\$ 30,525,988.56	\$ 990,477.05	\$ 1,180,437.53	\$ 140,725.84	(28,214,348.14)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					5,645,909.18
Property Taxes, Levied for Capital Projects					1,343,012.43
Grants and Contributions Not Restricted to Specific Programs					20,342,078.09
Unrestricted Investment Earnings					582.87
Miscellaneous					348,159.97
Total General Revenues					27,679,742.54
Change in Net Assets					(534,605.60)
Net Assets - Beginning					34,876,723.84
Net Assets - Ending					\$ 34,342,118.24

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

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

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**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,143,393.86	\$	\$
Investments	54,607.58		
Accounts Receivable	31,664.42		
Due from Fiscal Agent	56,887.86		
Due from Other Funds	151,649.60		
Due from Other Agencies	102,215.41	138,256.57	13,393.03
Inventories	100,719.36		
	<u>4,641,138.09</u>	<u>138,256.57</u>	<u>13,393.03</u>
TOTAL ASSETS	\$ 4,641,138.09	\$ 138,256.57	\$ 13,393.03
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 259,508.27	\$	\$
Accounts Payable	309,672.15		
Due to Other Funds		138,256.57	13,393.03
	<u>569,180.42</u>	<u>138,256.57</u>	<u>13,393.03</u>
Total Liabilities	569,180.42	138,256.57	13,393.03
Fund Balances:			
Nonspendable:			
Inventory	100,719.36		
Restricted for:			
State Required Carryover Programs	135,022.41		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	<u>135,022.41</u>		
Assigned to:			
Board-Approved Budget Items	965,768.60		
Self-insurance	56,887.86		
Total Assigned Fund Balance	<u>1,022,656.46</u>		
Unassigned Fund Balance	<u>2,813,559.44</u>		
	<u>4,071,957.67</u>		
Total Fund Balances	4,071,957.67		
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,641,138.09	\$ 138,256.57	\$ 13,393.03

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balances - Governmental Funds \$ 5,680,560.41

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 31,202,142.99

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

Obligation Under Capital Lease	\$ 53,169.65	
Bonds Payable	310,000.00	
Other Postemployment Benefits Payable	110,592.00	
Compensated Absences Payable	2,066,823.51	(2,540,585.16)

Total Net Assets - Governmental Activities \$ 34,342,118.24

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

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**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 57,716.86	\$ 288,577.03	\$ 217,179.30
Federal Through State and Local State	349,788.01	3,067,519.69	217,179.30
	16,363,387.21		
Local:			
Property Taxes	5,645,909.18		
Charges for Services	589,578.15		
Miscellaneous	308,553.10		
Total Local Revenues	<u>6,544,040.43</u>		
Total Revenues	<u>23,314,932.51</u>	<u>3,356,096.72</u>	<u>217,179.30</u>
Expenditures			
Current - Education:			
Instruction	13,733,407.80	2,488,317.97	25,045.66
Pupil Personnel Services	943,566.08	178,109.23	
Instructional Media Services	273,319.69		
Instruction and Curriculum Development Services	316,899.65	404,930.75	20,812.21
Instructional Staff Training Services	173,366.54	134,845.64	32,346.68
Instruction Related Technology	133,350.10	41,053.17	40,441.24
School Board	299,947.93		5,380.00
General Administration	284,126.02	24,051.97	
School Administration	1,788,114.61	581.00	
Facilities Acquisition and Construction	7,453.00		
Fiscal Services	293,357.22		
Food Services	44,235.66		
Central Services	259,244.00		
Pupil Transportation Services	1,604,075.63	163.61	
Operation of Plant	2,430,237.15		
Maintenance of Plant	538,627.42		
Administrative Technology Services	371,218.16		23,594.00
Community Services	123,063.05		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	17,417.29		
Other Capital Outlay	68,820.83	84,043.38	69,559.51
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>23,703,847.83</u>	<u>3,356,096.72</u>	<u>217,179.30</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(388,915.32)</u>		
Other Financing Sources (Uses)			
Transfers In	183,085.00		
Refunding Bonds Issued			
Premium on Refunding Bonds			
Insurance Loss Recoveries	14,985.60		
Payments to Refunding Bond Escrow Agent			
Transfers Out			
Total Other Financing Sources (Uses)	<u>198,070.60</u>		
Net Change in Fund Balances	(190,844.72)		
Fund Balances, Beginning	<u>4,262,802.39</u>		
Fund Balances, Ending	<u>\$ 4,071,957.67</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	346,293.89	346,293.89
	1,157,645.53	4,792,132.53
	161,427.83	16,524,815.04
1,343,012.43		6,988,921.61
	400,898.90	990,477.05
	44.29	308,597.39
<u>1,343,012.43</u>	<u>400,943.19</u>	<u>8,287,996.05</u>
<u>1,343,012.43</u>	<u>1,720,016.55</u>	<u>29,951,237.51</u>
		16,246,771.43
		1,121,675.31
		273,319.69
		742,642.61
		340,558.86
		214,844.51
		305,327.93
		308,177.99
137,919.52		1,788,695.61
		145,372.52
		293,357.22
	1,487,897.03	1,532,132.69
		259,244.00
		1,604,239.24
		2,430,237.15
		538,627.42
		394,812.16
		123,063.05
732,050.94	270,464.80	1,019,933.03
255,984.40	34,622.50	513,030.62
16,111.20	95,000.00	111,111.20
<u>2,936.88</u>	<u>22,151.70</u>	<u>25,088.58</u>
<u>1,145,002.94</u>	<u>1,910,136.03</u>	<u>30,332,262.82</u>
<u>198,009.49</u>	<u>(190,119.48)</u>	<u>(381,025.31)</u>
		183,085.00
	295,000.00	295,000.00
	25,159.85	25,159.85
		14,985.60
	(319,330.94)	(319,330.94)
<u>(183,085.00)</u>		<u>(183,085.00)</u>
<u>(183,085.00)</u>	<u>828.91</u>	<u>15,814.51</u>
14,924.49	(189,290.57)	(365,210.80)
<u>1,368,982.39</u>	<u>413,986.43</u>	<u>6,045,771.21</u>
<u>\$ 1,383,906.88</u>	<u>\$ 224,695.86</u>	<u>\$ 5,680,560.41</u>

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Net Change in Fund Balances - Governmental Funds \$ (365,210.80)

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 in excess of capital outlays in the current fiscal year. (385,640.86)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 by which repayments exceed proceeds in the current fiscal year.

Bonds Issued	\$	(295,000.00)	
Bonds Refunded		310,000.00	
Bond Principal Payments		95,000.00	
Capital Lease Principal Payments		<u>16,111.20</u>	126,111.20

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount paid in the current fiscal year. 79,706.86

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

Change in Net Assets - Governmental Activities \$ (534,605.60)

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2012**

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 27,121.13	\$ 544,545.00
Accounts Receivable		31,607.00
Inventory		6,827.00
	<u>27,121.13</u>	<u>582,979.00</u>
TOTAL ASSETS	\$ 27,121.13	\$ 582,979.00
LIABILITIES		
Accounts Payable	\$	\$ 25,448.00
Internal Accounts Payable		557,531.00
	<u></u>	<u>582,979.00</u>
Total Liabilities	<u></u>	\$ 582,979.00
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	<u>27,121.13</u>	
TOTAL LIABILITIES AND NET ASSETS	\$ 27,121.13	

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2012**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	<u>\$ 2,400.00</u>
DEDUCTIONS	
Scholarship Payments	<u>4,175.00</u>
Change in Net Assets	(1,775.00)
Net Assets - Beginning	<u>28,896.13</u>
Net Assets - Ending	<u><u>\$ 27,121.13</u></u>

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Bradford County Education Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, because the Foundation's activity has decreased, it is no longer considered significant to the District. As such, the Foundation no longer meets the criteria of a component unit, and is not reported in the District's financial statements for the 2011-12 fiscal year.

Basis of Presentation:

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

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

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fiduciary fund types:

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

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

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

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

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

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

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares 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 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	25 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	7 years

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

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

State Revenue Sources. Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of the FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

compliance in determining and reporting the FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

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

The Board adopted the 2011 tax levy on September 12, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 33,791.32
Fund B	5.73 Year Average	54,607.58
Debt Service Accounts	6 Months	9,585.65
Total Investments, Primary Government		<u>\$ 97,984.55</u>

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

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DISTRICT SCHOOL BOARD
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JUNE 30, 2012**

➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA’s Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 489,359.10	\$	\$	\$ 489,359.10
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,303,021.11	184,149.00		3,487,170.11
Buildings and Fixed Equipment	46,784,719.32	835,783.83		47,620,503.15
Furniture, Fixtures, and Equipment	3,938,018.63	202,108.58		4,140,127.21
Motor Vehicles	4,185,427.42	280,697.06		4,466,124.48
Property Under Capital Lease	151,465.00			151,465.00
Audio Visual Materials and Computer Software	108,301.02	30,225.00		138,526.02
Total Capital Assets Being Depreciated	58,470,952.50	1,532,963.47		60,003,915.97
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,767,953.25	117,940.27		1,885,893.52
Buildings and Fixed Equipment	20,339,789.84	924,731.85		21,264,521.69
Furniture, Fixtures, and Equipment	2,283,918.46	449,269.28		2,733,187.74
Motor Vehicles	2,954,135.07	382,022.12		3,336,157.19
Property Under Capital Lease	22,720.78	3,786.83		26,507.61
Audio Visual Materials and Computer Software	4,010.35	40,853.98		44,864.33
Total Accumulated Depreciation	27,372,527.75	1,918,604.33		29,291,132.08
Total Capital Assets Being Depreciated, Net	31,098,424.75	(385,640.86)		30,712,783.89
Governmental Activities Capital Assets, Net	\$ 31,587,783.85	\$ (385,640.86)	\$ 0.00	\$ 31,202,142.99

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 382,022.12
Unallocated	1,536,582.21
Total Depreciation Expense - Governmental Activities	\$ 1,918,604.33

5. OBLIGATION UNDER CAPITAL LEASE

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

	Asset Balance
Relocatable Classrooms	\$ 151,465.00

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

Fiscal Year Ending June 30	Total	Principal	Interest
2013	\$ 19,048.08	\$ 16,891.69	\$ 2,156.39
2014	19,048.08	17,709.98	1,338.10
2015	19,048.08	18,567.98	480.10
Total Minimum Lease Payments	\$ 57,144.24	\$ 53,169.65	\$ 3,974.59

The stated interest rate is 4.74 percent.

6. BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 15,000	5.0	2016
Series 2011A, Refunding	295,000	4.0 - 5.0	2015
Total Bonds Payable	\$ 310,000		

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

These bonds were issued by the State Board of Education to finance capital outlay projects 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, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 119,347.18	\$ 105,000.00	\$ 14,347.18
2014	110,250.00	100,000.00	10,250.00
2015	105,250.00	100,000.00	5,250.00
2016	5,250.00	5,000.00	250.00
Total	\$ 340,097.18	\$ 310,000.00	\$ 30,097.18

7. DEFEASED DEBT

On January 5, 2012, the State Board of Education issued \$295,000 in Capital Outlay Refunding Bonds, Series 2011A, with interest rates ranging from 4 to 5 percent, to advance-refund the District’s Capital Outlay Bonds, Series 2002B. The Series 2011A bonds are being issued to advance-refund the \$310,000 principal amount of the District’s Capital Outlay Bonds, Series 2002B, that mature on or after July 1, 2012. As a result, \$310,000 of the Series 2002B bonds are considered to be in-substance defeased, and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2011A bonds were issued to reduce the debt service payments over the next three years by approximately \$20,500.

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Obligation Under Capital Lease	\$ 69,280.85	\$	\$ 16,111.20	\$ 53,169.65	\$ 16,891.69
Bonds Payable	420,000.00	295,000.00	405,000.00	310,000.00	105,000.00
Compensated Absences Payable	2,146,530.37	121,436.06	201,142.92	2,066,823.51	98,279.79
Other Postemployment Benefits Payable	121,020.00	121,384.00	131,812.00	110,592.00	
Total Governmental Activities	\$ 2,756,831.22	\$ 537,820.06	\$ 754,066.12	\$ 2,540,585.16	\$ 220,171.48

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 151,649.60	\$
Special Revenue:		
Other		138,256.57
Federal Economic Stimulus		13,393.03
Total	\$ 151,649.60	\$ 151,649.60

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 183,085.00	\$
Capital Projects:		
Local Capital Improvement		183,085.00
Total	\$ 183,085.00	\$ 183,085.00

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

10. FUND BALANCE REPORTING

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

➤ Nonspendable

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

➤ Restricted

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

➤ Committed

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.

➤ Assigned

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

➤ Unassigned

The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue sources for the 2011-12 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 10,932,639.00
Categorical Educational Program - Class Size Reduction	3,494,336.00
Workforce Development Program	1,027,687.00
School Recognition	146,794.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	140,725.84
Adults with Disabilities	52,335.00
Food Service Supplement	22,792.00
Mobile Home License Tax	11,755.01
Discretionary Lottery Funds	9,922.00
Miscellaneous	<u>685,829.19</u>
 Total	 <u><u>\$ 16,524,815.04</u></u>

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.558	\$ 5,118,597.11
Basic Discretionary Local Effort	0.748	688,863.73
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>1,381,413.40</u>
 Total	<u><u>7.806</u></u>	<u><u>\$ 7,188,874.24</u></u>

13. FLORIDA RETIREMENT SYSTEM

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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DISTRICT SCHOOL BOARD
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JUNE 30, 2012**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions including employee contributions for the fiscal year ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$1,551,350.41, \$1,649,066.44, \$1,104,793.72, respectively, which were equal to the required contributions for each fiscal year.

There were 65 District participants in the Investment Plan during the 2011-12 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$161,161.76, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

14. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended by the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 60 retirees received other postemployment benefits. The District provided required contributions of \$131,812 toward the annual OPEB cost, net of retiree contributions totaling \$314,370, which represents 2.6 percent of covered payroll.

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Description	Amount
Normal Cost (service cost for one year)	\$ 52,075
Amortization of Unfunded Actuarial Accrued Liability	71,360
Annual Required Contribution	123,435
Interest on Net OPEB Obligation	5,258
Adjustment to Annual Required Contribution	(7,309)
Annual OPEB Cost (Expense)	121,384
Contribution Toward the OPEB Cost	(131,812)
Decrease in Net OPEB Obligation	(10,428)
Net OPEB Obligation, Beginning of Year	121,020
Net OPEB Obligation, End of Year	\$ 110,592

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 164,968	60.2%	\$ 131,448
2010-11	121,384	108.6%	121,020
2011-12	121,384	108.6%	110,592

Funded Status and Funding Progress. As of July 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$1,233,965, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,233,965 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$12,236,734, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.1 percent.

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The District’s OPEB actuarial valuation as of July 1, 2010, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District’s 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9.5 percent initially for the 2009-10 fiscal year, reduced by 0.2 to 0.3 percent per year, to an ultimate rate of 5 percent after 17 years. The unfunded actuarial accrued liability is being amortized on a level dollar open basis.

15. SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2012:

Major Funds				
<u>General</u>	<u>Special Revenue - Other</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 18,352</u>	<u>\$ 16,308</u>	<u>\$ 45,531</u>	<u>\$ 3,291</u>	<u>\$ 83,482</u>

16. RISK MANAGEMENT PROGRAMS

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

**BRADFORD COUNTY
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Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 57,716.86	\$ 7,716.86
Federal Through State and Local	107,000.00	107,442.74	349,788.01	242,345.27
State	16,019,571.78	16,323,532.98	16,363,387.21	39,854.23
Local:				
Property Taxes	5,563,417.00	5,563,417.00	5,645,909.18	82,492.18
Charges for Services			589,578.15	589,578.15
Miscellaneous	554,796.25	711,479.60	308,553.10	(402,926.50)
Total Local Revenues	6,118,213.25	6,274,896.60	6,544,040.43	269,143.83
Total Revenues	22,294,785.03	22,755,872.32	23,314,932.51	559,060.19
Expenditures				
Current - Education:				
Instruction	14,258,304.92	14,599,659.32	13,733,407.80	866,251.52
Pupil Personnel Services	886,094.24	964,774.48	943,566.08	21,208.40
Instructional Media Services	266,591.37	282,449.16	273,319.69	9,129.47
Instruction and Curriculum Development Services	280,195.15	319,513.23	316,899.65	2,613.58
Instructional Staff Training Services	165,744.42	178,494.94	173,366.54	5,128.40
Instruction Related Technology	85,934.56	151,230.22	133,350.10	17,880.12
School Board	332,879.08	307,331.93	299,947.93	7,384.00
General Administration	279,822.00	286,433.89	284,126.02	2,307.87
School Administration	1,765,431.27	1,792,629.67	1,788,114.61	4,515.06
Facilities Acquisition and Construction		7,453.00	7,453.00	
Fiscal Services	284,875.00	307,503.10	293,357.22	14,145.88
Food Services		44,413.96	44,235.66	178.30
Central Services	272,663.21	269,859.83	259,244.00	10,615.83
Pupil Transportation Services	1,435,629.20	1,605,069.18	1,604,075.63	993.55
Operation of Plant	2,640,337.91	2,681,418.84	2,430,237.15	251,181.69
Maintenance of Plant	630,008.97	627,891.40	538,627.42	89,263.98
Administrative Technology Services	349,793.63	393,161.43	371,218.16	21,943.27
Community Services	163,435.34	123,063.05	123,063.05	
Fixed Capital Outlay:				
Facilities Acquisition and Construction	225,086.30	181,552.65	17,417.29	164,135.36
Other Capital Outlay	175,944.90	145,263.08	68,820.83	76,442.25
Total Expenditures	24,498,771.47	25,269,166.36	23,703,847.83	1,565,318.53
Excess (Deficiency) of Revenues Over Expenditures	(2,203,986.44)	(2,513,294.04)	(388,915.32)	2,124,378.72
Other Financing Sources				
Transfers In	192,000.00	183,085.00	183,085.00	
Insurance Loss Recoveries		14,985.60	14,985.60	
Total Other Financing Sources	192,000.00	198,070.60	198,070.60	
Net Change in Fund Balances	(2,011,986.44)	(2,315,223.44)	(190,844.72)	2,124,378.72
Fund Balances, Beginning	4,262,802.39	4,262,802.39	4,262,802.39	
Fund Balances, Ending	\$ 2,250,815.95	\$ 1,947,578.95	\$ 4,071,957.67	\$ 2,124,378.72

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,328.93	\$ 288,577.03	\$ 288,577.03	\$ (496,177.40)	\$ 506,952.27	\$ 612,897.83	\$ 217,179.30	\$ (395,718.53)
3,336,140.39	3,563,697.09	3,067,519.69					
<u>3,337,469.32</u>	<u>3,852,274.12</u>	<u>3,356,096.72</u>	<u>(496,177.40)</u>	<u>506,952.27</u>	<u>612,897.83</u>	<u>217,179.30</u>	<u>(395,718.53)</u>
2,507,370.36	2,791,196.73	2,488,317.97	302,878.76	97,885.53	163,603.78	25,045.66	138,558.12
201,251.12	188,896.96	178,109.23	10,787.73				
204,922.31	454,557.52	404,930.75	49,626.77	16,312.21	28,812.21	20,812.21	8,000.00
167,933.72	254,659.60	134,845.64	119,813.96	17,108.81	54,416.81	32,346.68	22,070.13
62,138.28	46,095.53	41,053.17	5,042.36	128,457.72	127,233.52	40,441.24	86,792.28
24,038.04	24,191.79	24,051.97	139.82	3,000.00	5,380.00	5,380.00	
	581.00	581.00					
50,388.00	2,051.61	163.61	1,888.00				
				178,750.00	163,892.00	23,594.00	140,298.00
<u>119,427.49</u>	<u>90,043.38</u>	<u>84,043.38</u>	<u>6,000.00</u>	<u>65,438.00</u>	<u>69,559.51</u>	<u>69,559.51</u>	
<u>3,337,469.32</u>	<u>3,852,274.12</u>	<u>3,356,096.72</u>	<u>496,177.40</u>	<u>506,952.27</u>	<u>612,897.83</u>	<u>217,179.30</u>	<u>395,718.53</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

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

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

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

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	\$ 97,161.39
National School Lunch Program	10.555	300	299,091.68
Summer Food Service Program for Children	10.559	323	806.31
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	159,199.23
National School Lunch Program	10.555 (2)(A)	300	596,722.71
Summer Food Service Program for Children	10.559	323	<u>4,074.21</u>
Total United States Department of Agriculture			<u>1,157,055.53</u>
United States General Services Administration:			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	<u>4,277.52</u>
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	<u>288,577.03</u>
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,204,194.40
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	<u>1,152.56</u>
Total Title I, Part A Cluster			1,205,346.96
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,146,886.21
Special Education - Preschool Grants	84.173	267	25,312.00
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	59,940.27
Levy County District School Board:			
Special Education - Grants to States	84.027	None	<u>1,378.96</u>
Total Special Education Cluster			1,233,517.44
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	121,780.06
Career and Technical Education - Basic Grants to States	84.048	161	141,710.14
Safe and Drug-Free Schools and Communities - State Grants	84.318	121, 122	89,090.84
Rural Education	84.358	110	81,451.55
Improving Teacher Quality State Grants	84.367	224	256,014.49
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	3,804.49
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111,RD211, RG311	143,012.98
Education Jobs Fund	84.410	541	9,269.00
Putnam County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397 (2)(C)	None	<u>23,709.70</u>
Total Indirect			<u>3,308,707.65</u>
Total United States Department of Education			<u>3,597,284.68</u>
United States Department of Health and Human Services:			
Indirect:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	<u>67,000.00</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>57,716.86</u>
Total Expenditures of Federal Awards			<u>\$ 4,883,334.59</u>

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

(2) Noncash Assistance:

(A) National School Lunch Program - Includes \$58,395.31 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(B) Donation of Federal Surplus Personal Property - Represents 23.3 percent of the original acquisition costs of the donated Federal surplus personal property obtained during the fiscal year.

(C) ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act - Represents Federally-paid costs for instructional materials.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bradford County District School Board as of and for the fiscal year ended June 30, 2012, 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 includes 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 Bradford County District School Board's financial statements. For the school internal funds, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is 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 14, 2013



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

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

Compliance

We have audited the Bradford County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2012. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct

and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
January 14, 2013

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard workday, such as supplements for department chairs at the high school, team leaders at the middle school, and lead teachers at the elementary schools. The salary schedule also provided differentiated pay for school demographics at the alternative school and for critical shortage areas such as for school psychologists, speech/language pathologists, and associates. District personnel indicated that the critical shortage areas were difficult positions to fill; however, District records did not evidence the establishment of specific criteria for determining the critical shortage areas. To document this process, records could evidence the number of applicants, personnel turnover rates, and other factors relating to hiring and retaining instructional personnel. In addition, the salary schedule did not evidence consideration of differentiated pay based on level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4.b., Florida Statutes.

District personnel indicated that, as of October 2012, salary schedule revisions to comply with the differentiated pay requirements were delayed to coincide with implementing instructional personnel performance pay plans. Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Tangible Personal Property

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

At June 30, 2012, the District reported, net of accumulated depreciation, \$31.2 million in capital assets, of which \$2.5 million was TPP (i.e., furniture, fixtures, and equipment, and motor vehicles). However, contrary to the above statute and rule, the District did not perform a complete physical inventory of TPP during the 2011-12 fiscal year. District personnel indicated that efforts were underway to perform a physical inventory of TPP; however, as of October 2012, the last physical inventory of TPP was completed in January 2011.

In May 2012, we selected 25 property items with costs totaling \$82,700 from the property records for observation at the designated locations (i.e., records to property test), and selected 10 property items with estimated costs of \$109,000, tagged as District property, from District locations to determine whether the items were listed in the property records (i.e., property to records test). We noted the following:

- For the records to property test, the following 11 property items with total costs of \$21,893 were missing:
 - Eight property items with total costs of \$17,917, including 3 computers and 1 camcorder listed at the high school and 2 computers, 1 camcorder, and 1 camera listed at an elementary school. While the most recent physical inventory indicated that the items should be present, neither discussions with District personnel nor District records explained the basis for the missing items during our initial and subsequent reviews in May and September 2012, respectively.
 - Three property items with total costs of \$3,976, including 1 computer listed at an elementary school and 1 computer and 1 video cassette player listed at the maintenance department. The most recent physical inventory indicated that the items were discarded, surplused, and in the supply room, respectively; however, as of September 2012, the items remained listed in the property records and the video cassette player was missing from the supply room.
- For the property to records test, 2 property items with total estimated costs of \$1,800 were not recorded in the property records, including 1 computer at the high school and 1 computer at an elementary school, and 1 computer with costs of \$900 was observed at the high school but listed in the property records as being located at the surplus property cost center.

Appropriately maintained TPP records, annually reconciled to physical inventories with discrepancies promptly and thoroughly investigated, decrease the risk of loss of TPP.

Recommendation: The District should strengthen controls over TPP to ensure physical inventories are prepared annually and compared to the property records, and that all discrepancies are thoroughly investigated and reconciled. Also, based on the results of the investigation, the District should file reports of missing items with the Board and appropriate law enforcement agencies for appropriate disposition.

Finding No. 3: Adult General Education Classes

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. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district 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. In addition, Section 1011.80(5)(d), Florida Statutes, prohibits the District from reporting adult general education contact hours of students whose direct instructional costs were fully funded by an external agency.

For the 2011-12 fiscal year, the District reported to the FDOE 15,267 adult general education contact hours for 206 students. Our tests of 568 adult general education contact hours reported for 10 students disclosed 236 hours reported for 7 students whose direct instructional costs were fully funded by the Florida Endowment for Vocational Rehabilitation Act (FEVRA), contrary to Section 1011.80(5)(d), Florida Statutes. Further review disclosed a total of 1,030 hours reported for 34 students whose direct instructional costs were fully funded by the FEVRA. Subsequent to our inquiries in July 2012, the District contacted the FDOE, corrected these reporting errors, and implemented procedures to ensure other students funded by an external agency will not be included in the hours reported to the FDOE for adult general education contact hours.

Recommendation: The District should continue its efforts to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE.

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

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

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

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

District personnel indicated that, due to their limited staff size, they have not been able to complete written policies and procedures to address the above-noted areas. However, without written policies and procedures, the risk is

increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

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

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

A comprehensive security awareness training program appraises new users of, and reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District required employees to watch a video about e-mail usage and liability issues and to sign an agreement annually, the District had not implemented a comprehensive security awareness training program to facilitate all users' ongoing education and training on security responsibilities, including acceptable or prohibited methods for storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of sensitive or confidential information. A comprehensive security awareness training program would reduce the risk of the District's IT resources being unintentionally compromised by users while performing their assigned duties. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

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

Finding No. 6: Information Technology – Disaster Recovery Plan

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

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

Appropriate disaster recovery planning should indicate the conditions under which the back-up site will be used; identify the employees needed at the site, their job responsibilities, and supplies needed; outline procedures for notification of the back-up site and employees; establish a job priority schedule; and include steps to be followed at the back-up site. District personnel indicated that, because of other priorities, the District did not ensure these elements were contained in the IT disaster recovery plan. Without a detailed disaster recovery plan and assignment of staff responsible for recovery activities, there is an increased risk that the District may not promptly and effectively resume IT operations in the event of a disaster or other service interruption. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

Recommendation: The District should enhance its IT disaster recovery plan as described above and make the plan available to key employees.

Finding No. 7: Information Technology – Security Incident Response Plan

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

In response to our inquiry, District personnel indicated that since the District had not experienced any network violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate action in a timely manner to prevent further loss or damage to the District's data and IT resources. A similar finding was noted in our report No. 2012-137.

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

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

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

District personnel indicated that, because of time constraints, the District had not classified data, such as social security numbers, student data, and personnel records, by sensitivity or level of significance, or maintained access authorization documentation, such as security access forms signed by employee supervisors. Without sufficient application access and authorization controls, there is an increased risk of inappropriate access and unauthorized use, disclosure, or modification of data and IT resources. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

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

Finding No. 9: Information Technology – Program Change Controls

Effective controls over changes to application programs and systems are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include providing written evidence of the program change process, independent testing and approval of program changes, separating the responsibility for moving

approved changes into the production environment from employees who developed the changes, and restricting programmers from accessing or updating production data.

In response to our inquiry, District personnel indicated, due to staffing limitations, the District had not implemented a formal program change methodology that documented the program change process, and had not restricted programmers from accessing or updating production programs and data. However, without effective program change controls, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

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

Finding No. 10: Information Technology – Security Controls – Logging and User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to logging and user authentication needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to logging and user authentication, the risk is increased that the confidentiality, integrity, and availability of data and IT resources may be compromised. Similar findings were noted in our report Nos. 2011-120 and 2012-137.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2012-137. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2012-137, Finding No. 1	Audit Report No. 2011-120, Finding No. 3
4	Audit Report No. 2012-137, Finding No. 3	Audit Report No. 2011-120, Finding No. 7
5	Audit Report No. 2012-137, Finding No. 5	Audit Report No. 2011-120, Finding No. 9
6	Audit Report No. 2012-137, Finding No. 2	Audit Report No. 2011-120, Finding No. 6
7	Audit Report No. 2012-137, Finding No. 8	NA
8	Audit Report No. 2012-137, Finding No. 4	Audit Report No. 2011-120, Finding No. 8
9	Audit Report No. 2012-137, Finding No. 6	Audit Report No. 2011-120, Finding No. 10
10	Audit Report No. 2012-137, Finding No. 7	Audit Report No. 2011-120, Finding No. 11

NA – Not Applicable

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*BRADFORD COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2010-129 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Activities Allowed or Unallowed	The District could enhance procedures to ensure that grantor approval is obtained, when required, before purchasing capital equipment from Federal funds. Equipment was purchased without required grantor approval, resulting in questioned costs of \$11,489.96.	Finding no longer warrants further action.	Two years have passed since the single audit was submitted to the Federal Clearinghouse, the grantor is not currently following up with the auditee on the finding, and no management decision was issued.

**EXHIBIT A
MANAGEMENT'S RESPONSE**



BRADFORD COUNTY SCHOOL DISTRICT
501 W. Washington Street · Starke, Florida 32091
(904) 966-6800 · Fax 966-6030

Dr. Beth Moore, Superintendent

School Board of
Bradford County, Florida
District 1, Archie Kittles
District 2, Stacey Creighton
District 3, Randy Jones
District 4, Vivian Chappell
District 5, Roman Alvarez

November 19, 2012

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

Dear Mr. Martin,

The following is Bradford County School District's response to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2012. This response is being done pursuant to Section 11.45(4)(d), Florida Statutes which requires a written statement of explanation concerning all of the audit findings, as well as our actual or proposed corrective action.

Finding 1: Compensation and Salary Schedules

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

Finding 2: Tangible Personal Property

We acknowledge that we need to do a better job on making sure that inventories are conducted on an annual basis and that these inventories are reconciled to the property records. We will strive toward making sure that these things happen during the current fiscal year.

Finding 3: Adult General Education Classes

We will continue to monitor the reporting of these students so that they are correctly entered into the computer system.

Findings 4-10: Information Technology Comments

We acknowledge that we need to develop policies, procedures and communication pathways with respect to our information technology programs. With all of the additional demands that have been placed on our MIS department with relation to Race to the Top, computer based testing, providing information for staff evaluations, etc. they have been unable to address these issues. We anticipate the hiring of an additional employee in this department which should help alleviate the workload and allow them to start looking at these issues.

- Quality Education For All Students-

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

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

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

Sincerely,



Beth Moore
Superintendent
Bradford County Schools