

**JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD**

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Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2008



## BOARD MEMBERS AND SUPERINTENDENT

Jefferson County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District</i>
	<u><i>No.</i></u>
<i>Edward W. Vollertsen, Vice-Chair from 11-20-07</i>	<i>1</i>
<i>Beverly A. Sloan to 1-20-08 (deceased)</i>	<i>2</i>
<i>Earlene W. Knight from 3-31-08</i>	<i>2</i>
<i>Shirley Alexander Washington</i>	<i>3</i>
<i>Franklin Hightower, Chair to 11-19-07</i>	<i>4</i>
<i>Charles P. Boland, Vice-Chair to 11-19-07, Chair from 11-20-07</i>	<i>5</i>
 <i>Philip O. Barker, Superintendent</i>	

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

The audit team leader was Derek H. Noonan, CPA, and the audit was supervised by Karen L. Revell, CPA. For the information technology portion of this audit, the audit team leader was Deidre N. Melton, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

We noted certain matters involving the District's internal control over financial reporting and its operations that we consider to be significant deficiencies as summarized below. However, these significant deficiencies are not considered to be material weaknesses.

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

#### SIGNIFICANT DEFICIENCIES

Finding No. 1: Procedures could be improved to ensure journal entries are properly recorded to facilitate necessary financial reporting.

Finding No. 2: Enhancements could be made to ensure effective controls in the personnel and payroll departments.

Finding No. 3: Improvements could be made to ensure that purchases are made pursuant to competitive bids, as required, and to properly document the process.

#### ADDITIONAL MATTERS

Finding No. 4: The District experienced a decline in its General Fund financial position, resulting in the District having less resources available for emergencies and unforeseen situations than other school districts of comparable size.

Finding No. 5: The District could strengthen its controls over tangible personal property.

Finding No. 6: The District used capital outlay millage fund proceeds, totaling \$70,782, to pay for items which were not specifically provided for in Section 1011.71, Florida Statutes.

Finding No. 7: The District's Disaster Recovery Plan lacked several key disaster recovery control elements and had not been tested.

Finding No. 8: The District lacked written policies and procedures for certain information technology functions.

Finding No. 9: District staff did not remove information technology system access privileges of certain former employees in a timely manner.

Finding No. 10: Certain information technology security controls in the areas of logging, monitoring, and review of access; management of access privileges; user authentication; and application access and authorization needed improvement.

Finding No. 11: The District did not conduct a review and evaluation of the collection of social security numbers (SSNs), provide a written statement to individuals stating the purpose for collection of the numbers, or certify compliance with the new SSN requirements to the Legislature, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 12: Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

Finding No. 13: Improvements are needed to enhance controls over high school diplomas.

Finding No. 14: The District should develop a fraud policy to provide adequate guidance to employees for communicating known or suspected fraud to the appropriate level.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Child Nutrition Cluster, and Arts in Education programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding that is summarized below.

Federal Awards Finding No. 1: The District did not timely verify that a vendor, paid approximately \$58,000, was not suspended or debarred from receiving Federal Special Education program moneys, and did not include Federally-required provisions in the vendor's contracts.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Jefferson 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. 2008-076.

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, 2008. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

### Audit Methodology

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



David W. Martin, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850-488-5534  
Fax: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 17 percent of the assets and 69 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 Jefferson County District School Board as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Respectfully submitted,



David W. Martin, CPA

January 5, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jefferson County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- In total, net assets decreased \$422,250.21 from the 2006-07 fiscal year end balance.
- At June 30, 2008, the unrestricted net assets deficit is \$1,520,349.40, compared to a deficit of \$706,850.31 at June 30, 2007.
- General revenues total \$12,589,118.94. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,065,426.98.
- Expenses total \$15,076,796.13; only \$2,065,426.98 of these expenses are offset by program specific charges, with the remainder paid from general revenues. Total expenses exceed total revenues by \$422,250.21.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$28,201.81 at June 30, 2008, while the total fund balance is \$175,547.62.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes,

State revenues, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

## **FUND FINANCIAL STATEMENTS**

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

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

The District uses agency funds to account for resources held for student activities and groups.

## **NOTES TO FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

	<b>Net Assets, End of Year</b>	
	Governmental	
	Activities	
	<u>6-30-08</u>	<u>6-30-07</u>
Current and Other Assets	\$ 1,573,980.89	\$ 2,154,652.55
Capital Assets	<u>31,136,913.94</u>	<u>31,034,110.24</u>
<b>Total Assets</b>	<b><u>32,710,894.83</u></b>	<b><u>33,188,762.79</u></b>
Other Liabilities	626,379.96	381,138.56
Long-Term Liabilities	<u>2,691,207.47</u>	<u>2,992,066.62</u>
<b>Total Liabilities</b>	<b><u>3,317,587.43</u></b>	<b><u>3,373,205.18</u></b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	30,089,535.72	29,675,221.55
Restricted	824,121.08	847,186.37
Unrestricted (Deficit)	<u>(1,520,349.40)</u>	<u>(706,850.31)</u>
<b>Total Net Assets</b>	<b><u>\$ 29,393,307.40</u></b>	<b><u>\$ 29,815,557.61</u></b>

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land, buildings, furniture 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 represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

	<b>Operating Results for the Year</b>	
	Governmental	
	Activities	
	6-30-08	6-30-07
<b>Program Revenues:</b>		
Charges for Services	\$ 88,342.98	\$ 125,289.32
Operating Grants and Contributions	952,082.27	979,524.54
Capital Grants and Contributions	1,025,001.73	798,003.41
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	3,112,652.90	2,727,234.93
Property Taxes, Levied for Capital Projects	1,134,386.90	972,869.22
Grants and Contributions Not Restricted to Specific Programs	7,936,877.66	8,860,950.96
Unrestricted Investment Earnings	85,331.69	130,400.51
Miscellaneous	319,869.79	
<b>Total Revenues</b>	<b>14,654,545.92</b>	<b>14,594,272.89</b>
<b>Functions/Program Expenses:</b>		
Instruction	6,779,267.83	6,874,329.24
Pupil Personnel Services	547,916.96	485,173.32
Instructional Media Services	82,431.56	189,006.43
Instruction and Curriculum Development Services	801,236.42	538,608.55
Instructional Staff Training Services	282,938.18	270,457.40
Instruction Related Technology	148,189.68	137,162.82
Board of Education	266,727.47	220,826.40
General Administration	420,395.53	350,131.39
School Administration	730,333.01	725,942.46
Facilities Acquisition and Construction	360,416.00	472,438.28
Fiscal Services	280,614.16	273,893.85
Food Services	696,117.39	681,313.61
Central Services	10,095.03	18,717.20
Pupil Transportation Services	976,782.40	985,420.96
Operation of Plant	1,144,014.59	1,098,105.56
Maintenance of Plant	275,755.43	452,398.99
Administrative Technology Services	75,815.22	72,298.96
Community Services		11,015.07
Interest on Long-Term Debt	139,950.20	39,066.87
Unallocated Depreciation Expense	1,057,799.07	1,268,597.57
<b>Total Functions/Program Expenses</b>	<b>15,076,796.13</b>	<b>15,164,904.93</b>
<b>Decrease in Net Assets</b>	<b>\$ (422,250.21)</b>	<b>\$ (570,632.04)</b>

The largest revenue source is the State of Florida. 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. During the 2007-08 fiscal year, the District’s FEFP funding was reduced due to declining enrollment. Additionally, initially budgeted increases in FEFP funding were partially reduced due to statewide revenue shortfalls. Other State revenues are primarily for categorical programs and for the acquisition, construction, and maintenance of educational facilities.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### MAJOR GOVERNMENTAL FUNDS

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$28,201.81, while the total fund balance is \$175,547.62. The total fund balance decreased by \$707,739.72 during the fiscal year, primarily as a result of decreases in State revenue sources.

The Special Revenue Fund – Other has a fund balance of \$0 at June 30, 2008, and was used to finance various Federal projects during the year. Total revenues and expenditures were \$1,743,081.20 during the year, a decrease of 3.5 percent, compared to total revenues and expenditures of \$1,807,037.30, during the 2006-07 fiscal year.

The Capital Projects – Public Education Capital Outlay, the Capital Projects - Local Capital Improvement Fund, and the Capital Projects – Other Fund have total fund balances of \$217,676.89, \$86,338.25, and \$279,443.84, respectively, all of which are restricted for the acquisition, construction, and maintenance of capital assets. The fund balance for the Capital Projects – Public Education Capital Outlay Fund increased during the 2007-08 fiscal year primarily due to a transfer in from the General Fund. The fund balance for the Capital Projects - Local Capital Improvement Fund decreased primarily due to increasing debt service payments associated with the District's installment purchases. The fund balance for Capital Projects - Other Fund had a net increase, which resulted from the nonexpenditure of 2007-08 fiscal year Class Size Reduction and Classrooms First appropriations, offset against a one-time transfer of unrestricted capital outlay moneys to the General Fund.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2007-08 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$450,091.93, primarily as a result of the decreases in State revenue caused by declining enrollment. Additionally, initially budgeted increases in FEFP funding were partially reduced due to statewide revenue shortfalls. Conversely, final appropriations exceeded the original budgeted amounts by \$538,874.16.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$31,136,913.94, 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; construction in progress; and audio visual materials 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, 2008, the District has total long-term debt outstanding of \$1,047,378.22 for the governmental activities. This amount is comprised of \$727,378.22 of installment purchases and \$320,000 of bonds payable. During the year, the District retired \$311,510.47 of debt.

Additional information on the District's long-term debt can be found in Notes 6 through 8 to the financial statements.

### **OTHER MATTERS OF SIGNIFICANCE**

During the 2008-09 fiscal year, a charter school was opened in the school district resulting in a decrease in the District's student enrollment by approximately 96 students. This will impact the District's funding from the State. Additionally, due to continued shortfalls in anticipated State tax revenues resulting from recent declines in housing sales, tourism, and general economic conditions, State revenues are expected to decline for the 2008-09 fiscal year. Plans have been developed to contend with the anticipated revenues shortfall, including instituting a hiring freeze for all nonessential positions, consolidating bus routes, eliminating educational programs not mandated by the Florida Department of Education, eliminating nonessential equipment purchases, and reducing all nonessential travel.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Jefferson County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Jefferson County District School Board, 1490 West Washington Street, Monticello, Florida 32344.

## BASIC FINANCIAL STATEMENTS

**EXHIBIT - A**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 648,614.82
Investments - Other	148,312.36
Accounts Receivable	1,249.18
Due from Other Agencies	496,969.52
Inventories	93,361.18
	<b>1,388,507.06</b>
Noncurrent Assets:	
State Board of Administration Pool B Investments	185,473.83
Capital Assets:	
Nondepreciable Capital Assets	1,352,052.44
Depreciable Capital Assets, Net	29,784,861.50
	<b>31,322,387.77</b>
<b>TOTAL ASSETS</b>	<b>\$ 32,710,894.83</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Salaries and Benefits Payable	\$ 26,512.50
Accounts Payable	332,848.88
Construction Contracts Payable	74,953.06
Construction Contracts Payable - Retainage	31,111.20
Due to Other Agencies	6,272.06
Deferred Revenue	154,682.26
Long-Term Liabilities -- Portion Due Within One Year:	
Installment-Purchases Payable	193,999.87
Bonds Payable	40,000.00
Compensated Absences Payable	103,119.00
	<b>963,498.83</b>
Noncurrent Liabilities:	
Long-Term Liabilities -- Portion Due After One Year:	
Installment-Purchases Payable	533,378.35
Bonds Payable	280,000.00
Compensated Absences Payable	1,540,710.25
	<b>2,354,088.60</b>
<b>Total Liabilities</b>	<b>3,317,587.43</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	30,089,535.72
Restricted for:	
State Categorical Programs	80,091.51
Debt Service	8,310.67
Capital Projects	690,629.23
Other Purposes	45,089.67
Unrestricted	(1,520,349.40)
	<b>29,393,307.40</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 32,710,894.83</b>

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

**EXHIBIT - B**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2008

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	
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 6,779,267.83	\$	\$	\$	\$ (6,779,267.83)
Pupil Personnel Services	547,916.96				(547,916.96)
Instructional Media Services	82,431.56				(82,431.56)
Instruction and Curriculum Development Services	801,236.42				(801,236.42)
Instructional Staff Training Services	282,938.18				(282,938.18)
Instruction Related Technology	148,189.68				(148,189.68)
Board of Education	266,727.47				(266,727.47)
General Administration	420,395.53				(420,395.53)
School Administration	730,333.01				(730,333.01)
Facilities Acquisition and Construction	360,416.00			973,449.04	613,033.04
Fiscal Services	280,614.16				(280,614.16)
Food Services	696,117.39	87,208.34	555,563.27		(53,345.78)
Central Services	10,095.03				(10,095.03)
Pupil Transportation Services	976,782.40	1,134.64	396,519.00		(579,128.76)
Operation of Plant	1,144,014.59				(1,144,014.59)
Maintenance of Plant	275,755.43				(275,755.43)
Administrative Technology Services	75,815.22				(75,815.22)
Interest on Long-Term Debt	139,950.20			51,552.69	(88,397.51)
Unallocated Depreciation Expense	1,057,799.07				(1,057,799.07)
<b>Total Governmental Activities</b>	<b>15,076,796.13</b>	<b>88,342.98</b>	<b>952,082.27</b>	<b>1,025,001.73</b>	<b>(13,011,369.15)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for Operational Purposes					
					3,112,652.90
Property Taxes, Levied for Capital Projects					
					1,134,386.90
Grants and Contributions Not Restricted to Specific Programs					
					7,936,877.66
Unrestricted Investment Earnings					
					85,331.69
Miscellaneous					
					319,869.79
<b>Total General Revenues</b>					<b>12,589,118.94</b>
<b>Change in Net Assets</b>					
					(422,250.21)
Net Assets - July 1, 2007					
					29,815,557.61
<b>Net Assets - June 30, 2008</b>					
					<b>\$ 29,393,307.40</b>

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

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**EXHIBIT - C  
JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS**

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
<b>ASSETS</b>			
Cash	\$ 138,048.22	\$ 98,701.30	\$ 67,633.87
Investments - Other	90.65	25,510.85	40,264.71
Accounts Receivable		1,249.18	
Due from Other Funds	13,498.66	64,868.20	91,005.83
Due from Other Agencies	127,209.79		
Inventories	65,812.87		
State Board of Administration Pool B Investments	120,249.39	11,893.81	18,772.48
	<b>TOTAL ASSETS</b>	<b>\$ 202,223.34</b>	<b>\$ 217,676.89</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 26,512.50	\$	\$
Accounts Payable	102,045.76	37,558.40	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds	160,420.43	4,800.00	
Due to Other Agencies	383.27	5,182.68	
Deferred Revenue		154,682.26	
	<b>Total Liabilities</b>	<b>202,223.34</b>	
Fund Balances:			
Reserved for State Categorical Programs	80,091.51		
Reserved for Encumbrances	22,164.63		
Reserved for Fuel Tax Refund	45,089.67		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	28,201.81		
Special Revenue Funds			
Capital Projects Funds			217,676.89
	<b>Total Fund Balances</b>	<b>175,547.62</b>	<b>217,676.89</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 464,909.58</b>	<b>\$ 202,223.34</b>	<b>\$ 217,676.89</b>

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

**EXHIBIT - C**

<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 239,924.60	\$ 72,557.65	\$ 31,749.18	\$ 648,614.82
	21,310.42	61,135.73	148,312.36
			1,249.18
33,282.00		270.00	202,924.69
24,360.24	282,416.20	62,983.29	496,969.52
		27,548.31	93,361.18
	9,929.94	24,628.21	185,473.83
<u>\$ 297,566.84</u>	<u>\$ 386,214.21</u>	<u>\$ 208,314.72</u>	<u>\$ 1,776,905.58</u>
\$ 191,774.51	\$	\$ 1,470.21	\$ 26,512.50
			332,848.88
	74,953.06		74,953.06
19,454.08	31,111.20	18,250.18	31,111.20
	706.11		202,924.69
			6,272.06
			154,682.26
<u>211,228.59</u>	<u>106,770.37</u>	<u>19,720.39</u>	<u>829,304.65</u>
86,338.25			80,091.51
			108,502.88
		8,310.67	45,089.67
			8,310.67
			28,201.81
		73,113.41	73,113.41
	279,443.84	107,170.25	604,290.98
<u>86,338.25</u>	<u>279,443.84</u>	<u>188,594.33</u>	<u>947,600.93</u>
<u>\$ 297,566.84</u>	<u>\$ 386,214.21</u>	<u>\$ 208,314.72</u>	<u>\$ 1,776,905.58</u>

**EXHIBIT - D**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**Total Fund Balances - Governmental Funds** \$ 947,600.93

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. 31,136,913.94

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

Installment-Purchases Payable	\$ 727,378.22	
Bonds Payable	320,000.00	
Compensated Absences Payable	<u>1,643,829.25</u>	<u>(2,691,207.47)</u>

**Total Net Assets - Governmental Activities** \$ 29,393,307.40

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

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**EXHIBIT - E**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 45,173.04	\$ 284,208.88	\$
Federal Through State	2,650.00	1,444,171.93	
Federal Through Local	111,706.54	14,590.81	
State	6,423,683.21		350,048.00
Local:			
Taxes	3,112,652.90		
Miscellaneous	218,196.38	109.58	1,846.43
<b>Total Revenues</b>	<u>9,914,062.07</u>	<u>1,743,081.20</u>	<u>351,894.43</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	6,021,053.89	700,431.45	
Pupil Personnel Services	474,925.06	94,688.60	
Instructional Media Services	126,986.69		
Instruction and Curriculum Development Services	252,400.43	541,185.44	
Instructional Staff Training Services	45,303.69	235,066.08	
Instruction Related Technology	145,811.50	304.31	
Board of Education	266,727.47		
General Administration	356,522.25	60,106.34	
School Administration	719,556.03	265.47	
Facilities Acquisition and Construction			22,619.20
Fiscal Services	285,185.66		
Food Services			
Central Services	3,104.09	23,446.61	
Pupil Transportation Services	864,217.88	37,426.13	
Operation of Plant	1,067,046.34		
Maintenance of Plant	272,990.01		
Administrative Technology Services	74,748.71		
Community Services			
Fixed Capital Outlay:			
Facilities Acquisition and Construction			12,250.00
Other Capital Outlay	131,318.32	50,160.77	
Debt Service:			
Principal			
Interest and Fiscal Charges	45,000.31		
<b>Total Expenditures</b>	<u>11,152,898.33</u>	<u>1,743,081.20</u>	<u>34,869.20</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,238,836.26)</u>		<u>317,025.23</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	603,905.00		71,551.75
Insurance Loss Recoveries	11,001.44		
Transfers Out	(83,809.90)		(283,105.00)
<b>Total Other Financing Sources (Uses)</b>	<u>531,096.54</u>		<u>(211,553.25)</u>
<b>Net Change in Fund Balances</b>	(707,739.72)		105,471.98
Fund Balances, July 1, 2007	883,287.34		112,204.91
<b>Fund Balances, June 30, 2008</b>	<u>\$ 175,547.62</u>	<u>\$</u>	<u>\$ 217,676.89</u>

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



**EXHIBIT - F**  
**JEFFERSON 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, 2008**

**Net Change in Fund Balances - Governmental Funds** \$ (825,913.06)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 102,803.70

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 311,510.47

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (10,651.32)

**Change in Net Assets - Governmental Activities** \$ (422,250.21)

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

**EXHIBIT - G**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>43,112</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ <u>43,112</u>

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

**EXHIBIT – H**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

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

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

➤ **Basis of Presentation**

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

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 District's transportation function, while remaining depreciation expense is not readily identified with a particular function and is reported as unallocated.

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

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

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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and maintenance of educational facilities.
- 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 for the District’s installment purchases.
- Capital Projects – Other Fund – to account for the financial resources generated by various state and local sources, including Classrooms First, Class Size Reduction Construction, historical preservation grants, communications channel lease revenue, and proceeds from the sale of District real property designated for construction of local school athletic facilities.

Additionally, the District reports the following fiduciary fund type:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

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

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and 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 State Board of Administration Debt Service accounts for investment of debt service moneys and amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes. During the year, SBA reported that the Local Government Surplus Funds Trust Fund was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market, and placed some restrictions on how governments could access portions of their surplus funds. SBA engaged BlackRock Financial Management, Inc., a provider of global investment management services, to undertake an assessment of the status of the investments of the Local Government Surplus Funds Trust Fund. On December 4, 2007, based on recommendations from BlackRock, SBA restructured the Local Government Surplus Funds Trust Fund into two separate pools, the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund (Fund B). The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, 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 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within LGIP.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost, except that United States Department of Agriculture surplus commodities are stated at their most recent fair value as determined by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution, which approximates the first-in, first-out basis. 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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the weighted average composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	50 years
Improvements Other Than Buildings	10 - 35 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received allocations under the Classrooms First and Class Size Reduction Construction programs. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2007 tax levy on September 10, 2007. 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 Jefferson 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.

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

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

**3. INVESTMENTS**

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

Investments with a fair value of \$140,001.69 at June 30, 2008, are in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool with a weighted average days to maturity (WAM) of 20.22 days. 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. The District's investment in the Local Government Surplus Funds Trust Fund Investment Pool is rated AAAM by Standard and Poor's. Investments with a fair value of \$185,473.83 at June 30, 2008, are in the State Board of Administration Fund B Surplus Funds Trust Fund with a weighted average life (WAL) of 9.22 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

maturity. WAL is based on legal final maturity dates as of June 30, 2008. The District's investment in the Fund B Surplus Funds Trust Fund is unrated.

In addition, the District reports investments totaling \$8,310.67 at June 30, 2008, in the State Board of Administration Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 992,276.14	\$	\$	\$ 992,276.14
Construction in Progress	292,095.75	474,154.55	406,474.00	359,776.30
Total Capital Assets Not Being Depreciated	<u>1,284,371.89</u>	<u>474,154.55</u>	<u>406,474.00</u>	<u>1,352,052.44</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	921,520.82	29,438.99		950,959.81
Buildings and Fixed Equipment	35,266,574.49	513,794.39	23,372.00	35,756,996.88
Furniture, Fixtures, and Equipment	3,443,004.07	207,416.41	702,636.94	2,947,783.54
Motor Vehicles	1,770,965.17	334,670.10	24,415.00	2,081,220.27
Audio Visual Materials and Computer Software	376,815.29	74,029.74	105,446.35	345,398.68
Total Capital Assets Being Depreciated	<u>41,778,879.84</u>	<u>1,159,349.63</u>	<u>855,870.29</u>	<u>42,082,359.18</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	832,276.60	96,900.23		929,176.83
Buildings and Fixed Equipment	6,628,777.63	872,182.81	23,372.00	7,477,588.44
Furniture, Fixtures, and Equipment	2,852,769.26	14,594.19	702,636.94	2,164,726.51
Motor Vehicles	1,445,551.40	66,427.41	24,415.00	1,487,563.81
Audio Visual Materials and Computer Software	269,766.60	74,121.84	105,446.35	238,442.09
Total Accumulated Depreciation	<u>12,029,141.49</u>	<u>1,124,226.48</u>	<u>855,870.29</u>	<u>12,297,497.68</u>
Total Capital Assets Being Depreciated, Net	<u>29,749,738.35</u>	<u>35,123.15</u>		<u>29,784,861.50</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,034,110.24</u>	<u>\$ 509,277.70</u>	<u>\$ 406,474.00</u>	<u>\$ 31,136,913.94</u>

The classes of property under installment-purchase agreements are presented in Note 6.

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 66,427.41
Unallocated	1,057,799.07
Total Depreciation Expense - Governmental Activities	\$ 1,124,226.48

**5. CHANGES IN SHORT-TERM DEBT**

The following is a schedule of changes in short-term debt:

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note - Operating	\$	\$ 2,563,755.00	\$ 2,563,755.00	\$
Tax Anticipation Note - Capital		934,646.00	934,646.00	
Total Governmental Activities	\$ 0.00	\$ 3,498,401.00	\$ 3,498,401.00	\$ 0.00

Proceeds from the tax anticipation notes were used as working capital reserves in the General Fund and Local Capital Improvement Fund as permitted under State and Federal tax laws.

**6. INSTALLMENT-PURCHASES PAYABLE**

The classes and amounts of property being acquired under installment-purchase agreements are as follows:

	Asset Balance
Relocatable Classrooms	\$ 455,892.00
Modular Buildings	306,123.00
Security/Fire Alarm System	300,414.00
Total	\$ 1,062,429.00

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 225,309.14	\$ 193,999.87	\$ 31,309.27
2010	225,309.14	203,032.65	22,276.49
2011	225,309.14	212,486.13	12,823.01
2012	<u>121,575.72</u>	<u>117,859.57</u>	<u>3,716.15</u>
Total Minimum Payments	<u>\$ 797,503.14</u>	<u>\$ 727,378.22</u>	<u>\$ 70,124.92</u>

The stated interest rates range from 4.50 to 4.705 percent.

**7. BONDS PAYABLE**

Bonds payable at June 30, 2008, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds: Series 2002B	<u>\$ 320,000.00</u>	3.500 - 5.375	2015

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

➤ **State School Bonds**

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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2009	\$ 55,831.25	\$ 40,000.00	\$15,831.25
2010	54,431.25	40,000.00	14,431.25
2011	57,281.25	45,000.00	12,281.25
2012	54,862.50	45,000.00	9,862.50
2013	58,062.50	50,000.00	8,062.50
2014-2015	108,062.50	100,000.00	8,062.50
<b>Total State School Bonds</b>	<b><u>\$388,531.25</u></b>	<b><u>\$320,000.00</u></b>	<b><u>\$68,531.25</u></b>

**8. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchases Payable	\$ 1,003,888.69	\$	\$ 276,510.47	\$ 727,378.22	\$ 193,999.87
Bonds Payable	355,000.00		35,000.00	320,000.00	40,000.00
Compensated Absences Payable	<u>1,633,177.93</u>	<u>148,278.52</u>	<u>137,627.20</u>	<u>1,643,829.25</u>	<u>103,119.00</u>
<b>Total Governmental Activities</b>	<b><u>\$ 2,992,066.62</u></b>	<b><u>\$148,278.52</u></b>	<b><u>\$ 449,137.67</u></b>	<b><u>\$ 2,691,207.47</u></b>	<b><u>\$ 337,118.87</u></b>

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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**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	\$ 13,498.66	\$ 160,420.43
Special Revenue:		
Other	64,868.20	4,800.00
Capital Projects:		
Public Education Capital Outlay	91,005.83	
Local Capital Improvement	33,282.00	19,454.08
Nonmajor Governmental	270.00	18,250.18
Total	<u>\$ 202,924.69</u>	<u>\$ 202,924.69</u>

The interfund receivables and payables generally occurred during the normal course of operations except that amounts due from the General Fund were primarily recorded to repay unallowed costs associated with restricted capital outlay programs and Federal programs. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 603,905.00	\$ 83,809.90
Capital Projects:		
Public Education Capital Outlay	71,551.75	283,105.00
Local Capital Improvement		225,377.59
Other	68.45	320,800.00
Nonmajor Governmental	237,567.29	
Total	<u>\$ 913,092.49</u>	<u>\$ 913,092.49</u>

The transfers were primarily for facilities maintenance work, repayment of unallowed costs, payments on installment-purchase contracts, and a one-time transfer of \$320,800 of unrestricted capital outlay moneys to be used for operating purposes.

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**10. RESERVE FOR ENCUMBRANCES**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$11,978.68 at June 30, 2008.

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 4,178,320.00
Categorical Educational Programs:	
Class Size Reduction	1,053,279.00
Transportation	396,519.00
Instructional Materials	119,635.00
Other	126,558.42
Gross Receipts Tax (Public Education Capital Outlay)	350,048.00
Historical Preservation Construction Grant	343,971.00
Workforce Development Program	190,897.00
Class Size Reduction Construction	180,564.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	80,137.05
Classrooms First	70,741.00
Miscellaneous	378,095.11
	<hr/>
Total	<u><u>\$ 7,468,764.58</u></u>

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

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>GENERAL FUND</u></b>		
Nonvoted School Tax:		
Required Local Effort	4.781	\$ 2,876,031.27
Basic Discretionary Local Effort	0.510	306,792.81
Supplemental Discretionary Local Effort	0.195	117,303.13
<b><u>CAPITAL PROJECTS FUNDS</u></b>		
Nonvoted Tax:		
Local Capital Improvements	2.000	1,203,109.07
Total	7.486	\$ 4,503,236.28

**13. FLORIDA RETIREMENT SYSTEM**

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in the DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular 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. Benefits in PEORP vest after one year of service. There were six District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$30,302.81.

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

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

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$570,388.81, \$740,629.39, and \$752,499.99, respectively, which were equal to the required contributions for each fiscal year.

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

**14. RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Jefferson County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management 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(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

Employee group health and hospitalization coverage are being provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

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

**15. LITIGATION**

The District is currently in dispute with a vendor regarding operation of the District's Monticello New Life School, a Florida Department of Juvenile Justice facility. The vendor alleges that the District has not paid for services rendered and is seeking amounts ranging from approximately \$88,000 to \$133,000.

**EXHIBIT - H (Continued)**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**16. OTHER LOSS CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**17. SUBSEQUENT EVENTS**

On August 28, 2008, the Board obtained two revolving line-of-credits in the amounts of \$2,000,000 (operating) and \$850,000 (capital) from Capital City Bank, at a 3.6 percent fixed rate of interest. The purpose of these loans was to fund District operations until the receipt of tax revenue. As of January 5, 2009, the amount outstanding on the operating line-of-credit is \$1,345,000, and no amount is outstanding on the capital line-of-credit.

The CARE Charter School of Excellence began operations in August 2008. For the 2008-09 fiscal year, the charter school will be reported as a component unit of the District.

## REQUIRED SUPPLEMENTARY INFORMATION

**EXHIBIT - I**  
**JEFFERSON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL AND MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 30,000.00	\$ 45,173.04	\$ 45,173.04	\$
Federal Through State	100,000.00	109,556.54	2,650.00	(106,906.54)
Federal Through Local State	6,794,460.00	6,423,683.21	6,423,683.21	106,906.54
Local:				
Taxes	3,204,694.00	3,112,652.90	3,112,652.90	
Miscellaneous	235,000.00	218,196.38	218,196.38	
<b>Total Revenues</b>	<u>10,364,154.00</u>	<u>9,914,062.07</u>	<u>9,914,062.07</u>	
<b>Expenditures</b>				
Current - Education:				
Instruction	5,334,379.60	6,021,053.89	6,021,053.89	
Pupil Personnel Services	402,632.01	474,925.06	474,925.06	
Instructional Media Services	193,596.20	126,986.69	126,986.69	
Instruction and Curriculum Development Services	280,871.67	252,400.43	252,400.43	
Instructional Staff Training Services	128,112.30	45,303.69	45,303.69	
Instruction Related Technology	129,955.18	145,811.50	145,811.50	
Board of Education	394,569.79	266,727.47	266,727.47	
General Administration	305,969.87	356,522.25	356,522.25	
School Administration	749,607.50	719,556.03	719,556.03	
Fiscal Services	277,268.95	285,185.66	285,185.66	
Central Services	4,964.45	3,104.09	3,104.09	
Pupil Transportation Services	891,434.03	864,217.88	864,217.88	
Operation of Plant	1,100,529.90	1,067,046.34	1,067,046.34	
Maintenance of Plant	357,016.20	272,990.01	272,990.01	
Administrative Technology Services	61,713.39	74,748.71	74,748.71	
Community Services	1,403.13			
Fixed Capital Outlay:				
Other Capital Outlay		131,318.32	131,318.32	
Debt Service:				
Interest and Fiscal Charges		45,000.31	45,000.31	
<b>Total Expenditures</b>	<u>10,614,024.17</u>	<u>11,152,898.33</u>	<u>11,152,898.33</u>	
<b>Deficiency of Revenues Over Expenditures</b>	<u>(249,870.17)</u>	<u>(1,238,836.26)</u>	<u>(1,238,836.26)</u>	
<b>Other Financing Sources (Uses)</b>				
Transfers In	283,105.00	603,905.00	603,905.00	
Insurance Loss Recoveries		11,001.44	11,001.44	
Transfers Out	(13,000.00)	(83,809.90)	(83,809.90)	
<b>Total Other Financing Sources (Uses)</b>	<u>270,105.00</u>	<u>531,096.54</u>	<u>531,096.54</u>	
<b>Net Change in Fund Balances</b>	<u>20,234.83</u>	<u>(707,739.72)</u>	<u>(707,739.72)</u>	
Fund Balances, July 1, 2007	883,287.34	883,287.34	883,287.34	
<b>Fund Balances, June 30, 2008</b>	<u>\$ 903,522.17</u>	<u>\$ 175,547.62</u>	<u>\$ 175,547.62</u>	<u>\$ 0.00</u>

**EXHIBIT - I**

Original Budget	Special Revenue - Other Fund		Variance with Final Budget - Positive (Negative)
	Final Budget	Actual	
\$ 214,551.00	\$ 284,208.88 1,458,762.74	\$ 284,208.88 1,444,171.93 14,590.81	\$ (14,590.81) 14,590.81
	109.58	109.58	
<u>214,551.00</u>	<u>1,743,081.20</u>	<u>1,743,081.20</u>	
203,229.00	700,431.45 94,688.60	700,431.45 94,688.60	
1,880.00	541,185.44 235,066.08 304.31	541,185.44 235,066.08 304.31	
9,442.00	60,106.34 265.47	60,106.34 265.47	
	23,446.61 37,426.13	23,446.61 37,426.13	
	50,160.77	50,160.77	
<u>214,551.00</u>	<u>1,743,081.20</u>	<u>1,743,081.20</u>	
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 158,396.40	\$
National School Lunch Program	10.555	300	328,455.19	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	44,996.32	
<b>Total Child Nutrition Cluster</b>			<u>531,847.91</u>	
<b>Total United States Department of Agriculture</b>			<u>531,847.91</u>	
<b>United States Department of Education:</b>				
Direct:				
Arts In Education	84.351	N/A	284,209.88	240,856.65
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	464,591.90	28,832.37
Special Education - Preschool Grants	84.173	267	42,452.67	
Leon County District School Board:				
Special Education - Preschool Grants	84.173	None	14,590.81	
<b>Total Special Education Cluster</b>			<u>521,635.38</u>	28,832.37
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	36,964.15	
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	606,376.34	
Career and Technical Education - Basic Grants to States	84.048	151	84,818.10	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	9,741.00	
State Grants for Innovative Programs	84.298	113	5,190.34	
Education Technology State Grants	84.318	121	9,490.35	
Reading First State Grants	84.357	211	63,093.96	
Rural Education	84.358	110	19,457.58	
Improving Teacher Quality State Grants	84.367	224	100,885.80	
Wakulla County Sheriff:				
Adult Education - Basic Grants to States	84.002	None	1,109.74	
Madison County District School Board:				
Tech-prep Education	84.243	None	791.80	
Florida State University:				
Education Technology State Grants	84.318	None	4,800.00	
Florida Department of State:				
Arts in Education	84.351	07-6030	2,650.00	
<b>Total Indirect</b>			<u>1,467,004.54</u>	28,832.37
<b>Total United States Department of Education</b>			<u>1,751,214.42</u>	269,689.02
<b>United States Department of Health and Human Services:</b>				
Indirect:				
Early Learning Coalition of the Big Bend Region:				
Temporary Assistance for Needy Families	93.558	75-30-90-73-002	1,613.01	
Child Care and Development Block Grant	93.575	75-30-90-73-002	5,489.66	
University of South Florida:				
Temporary Assistance for Needy Families	93.558	5830-1160-00-M	99,012.07	
<b>Total United States Department of Health and Human Services</b>			<u>106,114.74</u>	
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	45,173.04	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,434,350.11</u>	<u>\$ 269,689.02</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



David W. Martin, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850-488-5534  
Fax: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Jefferson County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding Nos. 1 through 3, which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is a material weakness.

### **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 – J. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA

January 5, 2009



David W. Martin, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850-488-5534  
Fax: 850-488-6975

The President of the Senate, the Speaker of the  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Jefferson County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

### **Internal Control Over Compliance**

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

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA

January 5, 2009

**JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555), Special Education Cluster (CFDA Nos. 84.027 and 84.173), and Arts in Education (CFDA No. 84.351).
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FINANCIAL STATEMENT FINDINGS**

**Significant Deficiencies**

**Finding No. 1: Financial Reporting**

Our audit indicated that enhancements in procedures could be made for recording certain accounts and transactions in the general ledger used for financial reporting purposes. For example, we noted that District personnel incorrectly recorded a capital outlay expenditure and cash disbursement of approximately \$72,000, respectively, in the 2008-09 fiscal year, rather than as an expenditure and related liability in the Capital Projects – Other Fund for the 2007-08 fiscal year. Additionally, escrow account activity associated with the District’s installment purchases was not recorded, resulting in an overstatement of cash and an understatement of expenditures of approximately \$79,000, in the Capital Projects – Local Capital Improvement Fund. We discussed these entries with District personnel, and adjustments were made to correct the general ledger prior to preparing the District’s financial statements.

**Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to properly record accounting entries in its general ledger.**

**Finding No. 2: Personnel and Payroll Administration**

The District should enhance its procedures to ensure effective controls in the personnel and payroll departments. We noted that the Payroll Specialist and an accounting clerk had the ability to update files within the payroll system to add employment contracts to established employees, make changes to employee rates of pay, and enter termination information, and no one independently verified the validity of payroll changes. Appropriate internal control practices dictate that these types of updates should generally be performed by individuals independent of the payroll and finance functions, or adequate compensating controls, such as independent verification of payroll changes, should be performed. While our audit tests did not disclose any errors or fraud involving payroll transactions, under these circumstances, there is an increased risk that improper payroll payments could occur and not be timely detected. Similar deficiencies were noted in previous reports, most recently our report No. 2008-076.

**Recommendation: The District should establish procedures to separate the duties associated with payroll and personnel responsibilities, or ensure that payroll update reports are reviewed and approved by individuals independent of the payroll process.**

**Finding No. 3: Competitive Procurement and Contract Monitoring**

The District should improve its documentation and monitoring procedures relating to purchases made pursuant to competitive procurement as provided by State Board of Education Rule 6A-1.012, Florida Administrative Code. This rule requires the District to request bids from three or more sources for purchases exceeding \$25,000, or, in

lieu of requesting three bids, it may make purchases from State contracts or under the same terms, conditions, and unit prices of contracts awarded by other governmental agencies. Our review disclosed that control procedures could be enhanced, as discussed below:

- The District entered into a contract for air conditioning maintenance services, and paid \$66,614 during the 2007-08 fiscal year for those services; however, no bids or competitive proposals were obtained prior to entering into the contract. Additionally, we noted that the contract contained language which indicated that the period covered was three years, beginning with the 2007-08 fiscal year; whereas other terms in the contract indicated a five-year period. Verbally, the Superintendent indicated that he understood the contract covered a three-year period; however, given the conflicting contract terms, the Board may not receive the services over the time period expected.
- The District made one payment of \$39,338 to a vendor for carpeting pursuant to a State contract. The State contract general conditions provide that customers are responsible for competitively setting the price for each particular order by obtaining a minimum of three written quotes from vendors participating in the State contract and issuing purchase orders with the vendor quoting the lowest price, unless the customer documents in writing that the lowest price quote would not result in the best value. However, contrary to the contract provisions, the District did not obtain the required quotes to ensure that the carpet purchases were obtained at the lowest cost consistent with best value.
- The District made two payments, totaling \$85,735, to a vendor for purchases of four vehicles. The purchase orders referenced a State contract, whereas the invoices referenced a “Florida Sheriffs” contract. A copy of either the State contract or the “Florida Sheriffs” contract was not provided by District staff for our review. Through further audit procedures, we were able to determine that the referenced State contract had expired prior to the purchase date and had not been renewed and that the District used the Sheriff contract specified in the invoices. Upon locating the Florida Sheriff contract on the Florida Sheriff Association website, we were able to verify that the District generally paid the correct prices specified in the contract. However, our procedures cannot substitute for management’s responsibility to perform adequate contract monitoring procedures.

A similar finding was noted in our report No. 2008-076.

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**Recommendation: The District should enhance controls over expenditures to ensure that the goods and services are obtained pursuant to competitive bids, as required. When purchasing pursuant to State contract or contracts awarded to other governmental agencies, the District should enhance its procedures to ensure compliance with terms and conditions of those contracts, and maintain documentation evidencing such compliance.**

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**ADDITIONAL MATTERS**

**Finding No. 4: Financial Condition**

The District experienced a decline in its financial condition during the 2007-08 fiscal year. In governmental funds, reserve accounts are used to indicate the portion of fund balance that is restricted to specific purposes and not available for general appropriation by the Board, while the unreserved fund balance is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The unreserved portion represents the amount that can be used with the most flexibility for emergencies and unforeseen situations.

During the 2007-08 fiscal year, the District’s General Fund unreserved fund balance decreased from \$715,825.75 to \$28,201.81, a decrease of \$687,623.94. A summary of the unreserved fund balance for the District’s General Fund for the past three fiscal years is shown below:

Fiscal Year Ended June 30	Total Fund Balance	Unreserved Fund Balance	Percent of General Fund Revenues
2006	\$ 1,429,021.91	\$ 1,157,397.67	11.81%
2007	883,287.34	\$ 715,825.75	6.99%
2008	175,547.62	\$ 28,201.81	0.28%

Also, the General Fund unreserved fund balance could be reduced further if the District is required to repay questioned costs totaling \$223,459.22, as noted in Federal Awards Finding Nos. 2 through 7 from our audit report No. 2007-121 and questioned costs of \$102,537.20 as noted in Federal Awards Finding No. 1 from our audit report No. 2008-076. Additionally, at June 30, 2008, the District had \$120,249.39 in State Board of Administration Pool B investments, which was not readily available for general operating purposes. For Florida school districts, the average financial condition ratio was approximately 8 percent for each of the last three fiscal years. The lower than average fund balance results in the District having less resources available for emergencies and unforeseen situations than other school districts of comparable size.

While the District reported revenue from Medicaid reimbursements, totaling approximately \$156,000 during the 2006-07 fiscal year, no reports were filed to obtain similar reimbursements for the 2007-08 fiscal year. To enhance its financial condition, District personnel indicated that action may be taken to obtain reimbursements for the Medicaid reimbursements, institute a hiring freeze for all nonessential positions, consolidate bus routes, eliminate educational programs not mandated by the Florida Department of Education, eliminate nonessential equipment purchases, and reduce travel costs.

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**Recommendation: The Board and Superintendent should continue to closely monitor the District’s budget and take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund.**

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**Finding No. 5: Tangible Personal Property**

The District should improve its control procedures over tangible personal property. Section 274, Florida Statutes, and Department of Financial Services (DFS) Rule 69I-73, Florida Administrative Code (FAC), establish the control procedures and records requirements necessary to achieve accountability for tangible personal property. The District reported tangible personal property (furniture, fixtures, and equipment and motor vehicles), net of accumulated depreciation, totaling approximately \$1,376,000 at June 30, 2008. We selected 20 items from the District’s property records for physical inspection and noted the following:

- Neither we nor District staff could locate three computers, with original costs totaling approximately \$7,100, although the items were noted as located by the District’s most recent property inventory forms. Tangible personal property items accurately recorded in the property records, and readily located on District premises, decreases the risk that such property would be used for unauthorized purposes.
- Two items, a computer and a server, with original costs totaling approximately \$4,200, lacked property tags or other markings establishing their identity or ownership, contrary to DFS Rule 69I-73, FAC. Additionally, the property records did not include the serial numbers for the server. Properly recording serial numbers and attaching property tags enhances the District’s ability to readily account for its property and identifies the items as District property which may reduce the difficulty in identifying District property recovered from theft.

- Two items, a copier and a satellite dish, originally costing \$6,668, were obsolete and, according to District personnel, no longer being used. Further, our observation of District properties disclosed several unused classrooms, cafeterias, and other areas that contained obsolete property items. Our review of the District's property records disclosed potentially obsolete tangible personal property, including computers and related equipment and copiers with original recorded costs totaling approximately \$837,000. The property records' "Inventory Date" field for the majority of these items is either blank or includes dates that are several years old. These assets with a high probability of obsolescence occupy space at District facilities that could be used for other purposes and create more work for property inventory takers to locate these items when annual inventories are conducted.

Similar findings were noted in previous reports, most recently our report No. 2008-076.

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**Recommendation: The District should strengthen controls over tangible personal property to ensure the adequacy and accuracy of property records and accountability for such assets. Such procedures would include appropriate follow-up on the items not located and, if necessary, reporting the loss of those items to law enforcement. The District should also review the obsolete items currently being stored to determine whether there is a continued need to maintain these items for future use and, if not, timely surplus those items.**

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#### **Finding No. 6: Ad Valorem Taxation Expenditures**

The District incurred costs, totaling \$70,782, from its capital outlay millage levy funds that were not, of record, allowable under the provisions of Section 1011.71, Florida Statutes. Section 1011.71, Florida Statutes, provides that each school board may levy against the taxable value not more than 2 mills for capital outlay purposes. This section also provides the allowable uses of capital outlay millage levy proceeds which includes, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; school bus purchases; purchases of new and replacement equipment; payments due under lease-purchase agreements for educational facilities and sites; and payment of property-casualty insurance premiums subject to certain conditions and limitations.

- The District purchased instructional mathematics software, costing \$37,500, from a single vendor. Insofar as instructional software is not specifically included as an allowable use of capital outlay millage proceeds, the \$37,500 expended on instructional software represents questioned costs for the 2007-08 fiscal year.
- Section 1011.71(3), Florida Statutes, as amended by Chapter 2008-2, Laws of Florida, allows the District to use capital outlay millage proceeds to pay for property casualty insurance premium costs up to \$65 per unweighted full-time equivalent (FTE) student. The District used capital outlay millage proceeds, totaling \$111,022, to pay for property-casualty insurance premiums. However, insofar as the District's reported unweighted FTE totaled 1,196, the maximum amount of insurance premiums that could be paid at the \$65 per student limitation was \$77,740, resulting in questioned costs of \$33,282. Upon our inquiry, the District established a liability in its General Fund and a receivable in its Local Capital Improvement Fund for the \$33,282 portion of the questioned costs associated with the property-casualty insurance premiums.

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**Recommendation: The District should enhance procedures to ensure that it limits use of capital outlay millage funds to the purposes set forth in Section 1011.71, Florida Statutes. Further, the District should document to the Florida Department of Education the allowability of the instructional software purchase, costing \$37,500, using capital outlay millage proceeds or reimburse the Local Capital Improvement Fund for this purchase.**

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**Finding No. 7: Information Technology – Disaster Recovery Plan**

As similarly noted in audit report No. 2008-076, the Board approved reciprocal disaster recovery agreements with Panhandle Area Educational Consortium (PAEC) member districts whereby member districts agreed to serve as alternate processing sites for each other in the event of a disaster that interrupts critical District IT operations. On January 15, 2008, the District established a formal Disaster Recovery Plan and assigned responsibilities for carrying out disaster recovery activities to particular individuals. However, the Disaster Recovery Plan was not comprehensive and did not include the following key recovery control elements:

- Prioritization of critical operations and data
- Provision for backup personnel.
- Documentation of procedures to follow when the Northwest Regional Data Center is inoperable.

In addition, the District had not tested the Disaster Recovery Plan, and copies of the Disaster Recovery Plan had not been stored at an off-site location.

Disaster recovery plans are an important element of effective internal control over IT operations. When a disaster recovery plan does not include key recovery control elements, has not been tested for feasibility or weaknesses, and a copy is not located in an accessible off-site location, there is an increased risk that restoration of IT operations may be delayed in the event of an disaster.

**Recommendation: The District should enhance its Disaster Recovery Plan to include a prioritized list of critical operations and data. The District should also include a list of backup personnel so that the Disaster Recovery Plan is not dependent upon any one individual and provide contingencies for service interruptions with Northwest Regional Data Center. Additionally, copies of the Disaster Recovery Plan should be located at an off-site location and the effectiveness of the Disaster Recovery Plan should be tested annually.**

**Finding No. 8: Information Technology – Written Policies and Procedures**

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

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

- Administering user identification codes (IDs), administrator IDs, administrator passwords, guest accounts, and security devices (such as firewalls and routers).
- Changing or deleting vendor-supplied passwords upon installation.
- Resetting user passwords, including positive identification of the user.
- Prohibiting administrator rights on the workstations of end users.
- Revoking access privileges of former or reassigned employees, consultants, and vendors.
- Removing confidential information from consultant/vendor equipment.
- Defining responsibilities, access privileges, and activities for network, database, and security administrators and help desk staff.

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.

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

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**Finding No. 9: Information Technology – Removal of Access Privileges**

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Effective management of system access privileges includes the timely removal of employee access privileges when employees terminate. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others. The District did not remove access privileges of certain former employees in a timely manner, as described below:

- Three of 79 user IDs of former employees remained active in the security software, Access Control Facility 2 (ACF2), from 39 to 117 days after the employees' termination dates.
- We requested, but the District was unable to provide, documentation of the date the access privileges for one of the three former employees were removed from the Total Educational Resource Management System (TERMS). In response to audit inquiry, District management stated that they did not document the dates that employees' access privileges were removed from TERMS. The former employee had high-level access privileges that included the ability to update the vendor master file and all human resource screens and create pay types, position titles, and salary schedules.

Without timely deletion of former employees' access, the risk is increased that access privileges could be misused by the former employee or others.

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**Recommendation: The District should promptly remove the access privileges of former employees to minimize the risk that the access privileges could be used to compromise District data or IT resources. The District should also document the dates that employee access privileges are removed from TERMS to assist in monitoring the timeliness of access removal.**

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**Finding No. 10: Information Technology – Security Controls**

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Security controls over the District's resources are intended to protect the confidentiality, integrity, and availability of data and IT resources from unauthorized users. Our audit disclosed certain security controls in the areas of network security; logging, monitoring, and review of access; management of access privileges; user authentication; and application access and authorization that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the District's data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation: The District should implement appropriate security controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

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**Finding No. 11: Collection of Social Security Numbers**

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The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to

acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by this date, the District was required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

As of August 13, 2008, the District requires applicants for employment to provide their SSN on employment applications, and SSNs were also requested for students from their parents or legal guardian when completing certain forms such as enrollment applications. However, contrary to the above law, the District did not, of record, conduct a review and evaluation of the reasons for collection of SSNs and provide written statements notifying individuals of the purpose for collection. Further, the District did not certify to the Legislature that it complied with Section 119.071(5)(a), Florida Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

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**Recommendation: The District should take appropriate action to ensure compliance with Section 119.071(5), Florida Statutes. Such action should include an evaluation of the reasons the District collects social security numbers from individuals. In those instances in which the District determines that collection of the social security numbers is not imperative for performance of its duties and responsibilities, the District should discontinue obtaining such numbers.**

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**Finding No. 12: Adult General Education Courses**

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Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2007-72, Laws of Florida, states that from the funds provided in Specific Appropriation 125, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

Our review of the hours reported to FDOE for 15 students enrolled in 7 adult general education classes disclosed exceptions in the enrollment reporting for all classes tested, as follows:

- We requested the source of documentation used to report adult education instructional contact hours, and District staff replied that daily sign-in sheets were used to report hours. However, students did not sign out to evidence they attended the entire class, and the District generally did not report instructional contact hours in 6-hour daily increments. Had the students attended the full classes as evidenced by the sign-in sheets, the District underreported 4,031 hours.
- Based upon our review of attendance records, the District overreported hours for 6 students by amounts ranging from 10 hours to 155 hours, and underreported hours for nine students in amounts ranging from 31 hours to 320 hours. As a result, the net hours underreported were 1,454.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

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**Recommendation: The District should enhance its controls over the accuracy of its attendance records and the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.**

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### **Finding No. 13: Student Diplomas**

Improvements could be made in controls over student diplomas. For the 2007-08 fiscal year, Jefferson County Middle/High School had 42 graduates who received diplomas. Our review of student graduation and diploma processing disclosed the following:

- There were no written agreements with the printing companies specifying the procedures to be followed for diploma orders and the District employees authorized to submit orders. Written agreements may establish District expectations and staff responsible for diploma orders, and reduce misunderstandings related to such orders.
- There was an inadequate separation of duties over the ordering and receipt of diplomas at Jefferson County Middle/High School. The principal's secretary or the bookkeeper submitted orders containing information such as student names and diploma types for the printing company to print diplomas; received the completed diplomas from the printing company; and retained possession of the completed diplomas until graduation at which time the diplomas were given to other School personnel for distribution. While the guidance counselor reviewed the completed diplomas prior to distribution, the unopened box of diplomas was provided directly to the employee ordering the diplomas. In these circumstances, one employee had control over the ordering and receipt of high school diplomas such that errors or fraud could occur and not be detected in a timely manner.
- Our tests of 30 diploma recipients disclosed that documentation was not initially available to evidence that 9 of the recipients were eligible to graduate. Subsequently, additional information from student files was provided to document that seven of the nine students were eligible to graduate in that transcripts had not been updated for some completed coursework, and two of the nine students were not eligible to graduate. For one of the two ineligible students, a composite testing score was improperly used to determine graduation eligibility rather than the applicable reading score, and it was not apparent how District staff determined that the other student was eligible to graduate when the student lacked one-half credit of required coursework.

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**Recommendation: The District should strengthen internal controls over diploma processing to ensure that student transcript information is accurate and that diplomas are only prepared for and distributed to those who meet the eligibility requirements for graduation.**

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**Finding No. 14: Policies for Reporting Fraud**

The District had not developed policies for communicating and reporting known or suspected fraud. Effective fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent. Furthermore, in the absence of such policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

**Recommendation: To aid in the detection and prevention of fraud, the District should develop policies for reporting known or suspected fraud.**

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**Federal Awards Finding No. 1:****Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)****Finding Type: Noncompliance****Questioned Costs: Not Applicable**

**Procurement – Suspension and Debarment, and Contract Provisions.** United States Office of Management and Budget (OMB) *Circular A-102* provides that vendors receiving individual awards of Federal money for \$25,000 or more must certify that the organization and its principals are not suspended or debarred from receiving Federal funds. The District may verify a vendor's suspension and debarment status by checking the *List of Parties Excluded from Federal Procurement or Nonprocurement Programs* issued by the General Services Administration.

Additionally, Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- For contracts in excess of \$10,000, a provision for termination for cause and convenience by the grantee or subgrantee, including the manner by which it will be affected and the basis of settlement.
- Access to records of the contractor which are directly pertinent to the contract.
- Retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

We reviewed documentation to support all Special Education program payments to vendors in excess of \$25,000, to determine whether the District verified that vendors were not suspended or debarred from receiving Federal funds, and whether the written contracts supporting the expenditures contained the Federally-required provisions. However, District records did not evidence that the District verified that one vendor, who was paid approximately \$58,000, was not suspended or debarred from receiving Federal moneys, and the contracts with this vendor excluded the above Federally-required language.

While we verified that the vendor was not included on the *Excluded Parties List System*, audit tests cannot substitute for management's responsibility to establish and maintain an adequate system of internal control. Also, failure to include the required contract provisions could limit the District's actions if disputes arose with the contractor, and could result in disallowance of grant expenditures by the grantor.

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**Recommendation:** The District should establish procedures, as required, to determine whether vendors are suspended or debarred prior to entering into contracts, and that such contracts contain the Federally-required provisions.

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District Contact Person: Marcia Willis, Chief Financial Officer

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs and in the **SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2008-076.

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit – J.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008*

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
2007-121 (2)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles and Procurement	The District paid amounts in excess of those provided for in a psychological services contract; paid for an evaluation of a gifted student; and made some consultation services payments, which were initially unsupported, all of which resulted in questioned costs of \$875.	Partially corrected.	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (3)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles and Procurement	The District paid another local education agency for special education services pursuant to an interlocal agreement. Some of these amounts were not adequately supported, resulting in questioned costs of \$21,663.54.	Partially corrected.	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (4)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Allowable Costs/Cost Principles	Salaries and benefits of two employees were paid from program funds absent documentation required by OMB <i>Circular A-87</i> . Based upon duties performed by the employees, \$12,153.64 represented questioned costs.	Partially corrected.	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (5)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Matching, Level of Effort, Earmarking	The District did not document that \$82,056 of Title I funds earmarked for supplemental educational services (SES) was expended for that purpose. Additionally, \$27,352 earmarked for these services was budgeted to be provided to SES providers that were not State-approved, resulting in total questioned costs of \$109,408.	Partially corrected.	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2007-121 (6)	Arts in Education (CFDA No. 84.351) - Allowable Costs/Cost Principles, Procurement, and Subrecipient Monitoring	The District made payments of \$68,394.25 to two contractors, one of which was a subrecipient, without verifying that deliverables were met. Additionally, the District did not retain budgets for the second and third years of the three-year grant.	Partially corrected.	Vendor has met deliverables and has been paid; however, the grantor has not made a final determination regarding questioned costs.

*JEFFERSON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2008*

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
2007-121 (7)	Homeland Security Grant Program (CFDA No. 97.067) - Allowable Costs/Cost Principles	The District received a \$35,227 grant, but only documented \$24,262.21 in eligible expenditures were incurred, resulting in questioned costs of \$10,964.79.	Partially corrected.	This District has not received any further Homeland Security grants; however, the grantor has not made a final determination regarding questioned costs.
2008-076 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles	Salaries and benefits of several employees, whose job functions either wholly or partially did not benefit Special Education Cluster programs, were paid from program funds. Based upon duties performed by the employees, \$102,537.20 represented questioned costs.	Partially corrected.	Control weakness has been corrected; however, the grantor has not made a final determination regarding questioned costs.
2008-076 (2)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles and Procurement	The District paid for evaluations of gifted students from program funds and subsequently reimbursed the program. Additionally, the District paid another local education agency for special education services pursuant to an interlocal agreement. Some of these amounts were not initially adequately supported, although adequate support was subsequently obtained.	Corrected.	
2008-076 (3)	Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Procurement	Enhancements were needed in District procedures to ensure expenditures with Federal moneys are made pursuant to contracts that include the required contractual provisions.	Not Corrected.	
2008-076 (4)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Procurement	The District had not developed procedures to determine whether vendors were suspended or debarred from receiving Federal Funds.	Not Corrected.	

**EXHIBIT J  
MANAGEMENT'S RESPONSE**



**Bill Brumfield**  
*Superintendent of Schools*

**JEFFERSON COUNTY SCHOOLS**  
1490 West Washington Street • Monticello, Florida 32344 • 850-342-0100 • fax 850-342-0108

**Board  
Members**

**District 1**  
Edward W.  
Vollertsen

January 5, 2009

**District 2**  
Sandra  
Saunders

**District 3**  
Shirley A.  
Washington

Mr. David W. Martin, CPA  
Auditor General  
Office of the Auditor General  
111 West Madison Street  
Tallahassee, FL 32399

Dear Mr. Martin:

**District 4**  
Marianne  
Arbulu

In response to the preliminary and tentative audit findings of the Jefferson County District School Board for the fiscal year ended June 30, 2008, I have attached the Response to Preliminary and Tentative Audit Findings.

**District 5**  
Charles  
Boland

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

Sincerely,

William E. Brumfield  
Superintendent of Schools

WEB:sc

Enclosures

**Response to Preliminary and Tentative Audit Findings  
Jefferson County District School Board  
For the Fiscal Year Ended June 30, 2008**

**Finding No. 1:** Procedures could be improved to ensure journal entries are properly recorded to facilitate necessary financial reporting

**Response:** We concur with your finding. Written procedures will be developed to address specific journal entries, and how to add them to our system. Additional training of finance staff on both the DOE reporting requirements and on use of our financial tracking and reporting system will be emphasized during the year.

**Finding No. 2:** Enhancements could be made to ensure effective controls in the personnel and payroll departments.

**Response:** The district will establish written procedures to ensure that payroll update reports are reviewed and approved by the finance officer as a compensating control to address the access control issue noted in the report.

**Finding No. 3:** Improvements could be made to ensure that purchases are made pursuant to competitive bids, as required, and to properly document the process.

**Response:** We concur with your finding. Procedures will be developed to ensure that purchases are made pursuant to competitive bids, as required, and to properly document the process. Training on the procedures will be required of all staff who deal with purchasing requiring competitive bids.

**Finding No. 4:** The District experienced a decline in its General Fund financial position, resulting in the District having fewer resources available for emergencies and unforeseen situations than other school districts of comparable size.

**Response:** We concur with your finding that our General Fund financial position has declined. While we do not have the data to agree or disagree with how our District compares to other school districts of comparable size, we recognize that we need to improve our financial position, despite severe cuts in funding and the mandate to start a charter school in our district with no additional operating funds to do so. We have asked for assistance from the Florida Department of Education (FDOE); a meeting was scheduled for 12/19/2008, but FDOE asked to reschedule. A date has not yet been set for that meeting. We have made adjustments to our spending by eliminating positions, stretching class sizes to the limit, buying out of a large contract for services, severely restricting travel, eliminating a bus route, and other measures. We will also try to improve procedures in the area of contracting for goods and services, and in budget development and tracking. To increase revenue, we are working towards collection of outstanding Medicaid reimbursements, sale of surplus vehicles and other property, and sale of land.

**Finding No. 5:** The District could strengthen its controls over tangible personal property.

**Response:** We concur with your finding. We have made improvements over the last year by developing better sign out procedures for property such as laptop computers assigned to teachers. We have also made progress in identifying property that is no longer of use and appropriately designating it in our system. We are currently making arrangements to dispose of recyclable property and having a surplus sale of property, as appropriate. Reducing our property inventory down to only those items that are currently in use or usable will allow us to exercise better control over that inventory and to keep our property records more current. We plan to do some partial physical inventory counts prior to the end-of-year count to identify problems, if any, earlier, and to bring up the level of awareness and accountability for property at the site level. We are also planning, when funding becomes available, to using bar code scanners or other technology to enhance the physical inventory count process.

**Finding No. 6:** The District used capital outlay millage fund proceeds, totaling \$70,782, to pay for items which were not specifically provided for in Section 1011.71, Florida Statutes.

**Response:** We concur with your finding. \$37,500 was used for the purchase was for software that we originally thought could be purchased with the capital outlay millage fund proceeds. This amount will be restore to the capital outlay millage fund from our general fund. The remaining \$33,282 was a payment for liability insurance that exceeded the authorized use of these funds for that purpose, which was \$65 per FTE. These funds have been restored to the capital outlay fund.

**Finding No. 7:** The District's Disaster Recovery Plan lacked several key disaster recovery control elements and had not been tested.

**Response:** The Jefferson County School Board Disaster Recovery Plan for Information Technology will be revised to include a prioritized list of critical operations, data and a list of backup personnel. The Disaster Recovery Plan will be tested annually either in June or July and a copy of the revised plan will be located at an off-site location where the annually test is conducted.

**Finding No. 8:** The District lacked written policies and procedures for certain information technology functions.

**Response:** Policies and procedures will be developed for School Board adoption and approval to cover the IT functions listed in Finding No. 8.

**Finding No. 9:** District staff did not remove information technology system access privileges of certain former employees in a timely manner.

**Response:** A check list will be added to the Jefferson County School Board Exit Interview Form to verify the access removal date, of each terminated employee, from any programs, computers, or data base system.

**Finding No. 10:** Certain information technology security controls need improvement.

**Response:** The district's MIS Coordinator will use monitoring reports and implement changes to address the security control improvements needed.

**Finding No. 11:** The District did not conduct a review and evaluation of the collection of social security numbers (SSN), provide written statement to individuals stating the purpose for collection of the numbers, or certify compliance with the new SSN requirements to the Legislation, contrary to Section 119.071(5)(a), Florida Statutes.

**Response:** We concur with your findings. The Jefferson County School Board will establish and adopt a policy to address and comply with the review and evaluation of the collection of social security numbers (SSN), provide written statement to individuals stating the purpose for collection of the numbers, and certify compliance with the new SSN requirements to the Legislation, pursuant to Section 119.071(5)(a), Florida Statutes.

**Finding No. 12:** Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

**Response:** We concur with your finding: The Jefferson county School District will establish procedures for reporting instructional contact hours for adult general education to the Florida Department of Education and keep accurate source documentation to support reported data. A copy of the procedures will be kept on file at the Superintendent's Office and Adult General Education School site.

**Finding No. 13:** Improvements are needed to enhance controls over high school diplomas.

**Response:** New procedures have been developed to determine graduation status and ordering of diplomas. The guidance counselor will be responsible for the following:

1. Conduct senior conferences with student and parent in the fall of the students' senior year. Course requirements, test scores and GPA will be reviewed.
2. Conduct an additional audit as soon as the first semester grades are posted to determine if the senior is still on track to graduate.
3. Notify parents by certified mail if the senior has failed a class, their GPA has fallen below 2.0 or test scores remain low possibly preventing them from receiving a standard diploma.
4. Submit to the bookkeeper a list of those students on track to graduate and the type of diploma they are to receive. In the case of a student getting a certificate of attendance due to low GPA or test scores, a certificate and a regular diploma are ordered (they must be

ordered in March) should their graduation status change by May or June (GPA goes up due to second semester grades or FCAT scores go up after the June test).

5. Receive the diplomas, check the packing slip and verify that only the requested diplomas have been sent.

6. Arrange to have a document signed by the school site administrator and the publisher of the diplomas authorizing only certain people to order and change orders of diplomas.

The bookkeeper (or administrator's designee) will be responsible for the following:

1. Typing and submitting the list provided by the guidance counselor on the correct forms to be sent to the printer.

2. Keep in a secure location those diplomas that are not awarded due to low GPA or low FCAT scores.

**Finding No. 14:** The District should develop a fraud policy to provide adequate guidance to employees for communicating known or suspected fraud to the appropriate level.

**Response:** We concur with your findings. The Jefferson County School Board will establish and adopt a policy to address fraud and provide adequate guidance to employees for communicating known or suspected fraud to the appropriate level.

#### **FEDERAL AWARDS FINDING**

**Federal Awards Finding No. 1:** The District did not timely verify that a vendor, paid approximately \$58,000, was not suspended or debarred from receiving Federal Special Education program moneys, and did not include Federally-required provisions in the vendor's contracts.

**Response:** We concur with your finding. The District will change its procedures in this area, and will develop written procedures, to ensure that all vendors are checked to see if they are suspended or debarred from receiving Federal Special Education program moneys. The District will develop "boiler plate" language, to be included with all vendor contracts for expenditures paid for with Federal funds, to include Federally-required provisions.