

# ALACHUA COUNTY DISTRICT SCHOOL BOARD

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## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2009



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Tina Pinkoson, Vice Chair to 11-17-08, Chair from 11-18-08	1
Eileen F. Roy	2
F. Wesley Eubank, Vice Chair from 11-18-08	3
Barbara J. Sharpe from 11-18-08	4
Janie S. Williams to 11-17-08, Chair	4
Virginia S. Childs	5

Dr. W. Daniel Boyd, Jr., Superintendent

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

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

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**ALACHUA COUNTY DISTRICT SCHOOL BOARD  
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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

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

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

### ADDITIONAL MATTERS

Finding No. 1: Enhancements could be made to ensure compliance with certain facility safety standards.

Finding No. 2: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

Finding No. 3: Controls to monitor the insurance coverage for charter schools sponsored by the District could be enhanced.

Finding No. 4: The District could enhance accountability over tangible personal property.

Finding No. 5: Policies for reporting fraud could be improved to provide employees guidance in communicating known or suspected fraud to the appropriate authority.

Finding No. 6: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 7: The District had not implemented an ongoing security awareness training program to protect IT resources.

Finding No. 8: The District's security controls related to application access and user authentication needed improvement.

Finding No. 9: District staff had not removed the access privileges of certain former employees in a timely manner.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Hazard Mitigation Grant 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.

### Audit Objectives and Scope

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

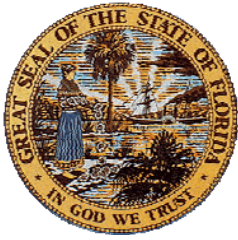
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a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

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Alachua County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 16 percent of the assets and 75 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based on the reports of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Alachua 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 **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 48 through 54) 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  
November 6, 2009

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management of the Alachua County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 46.

**FINANCIAL HIGHLIGHTS**

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

- The District's total net assets decreased by \$1.8 million, or 1.9 percent.
- General revenues total \$241 million, or 90 percent of all revenues in the 2008-09 fiscal year, as compared to \$257 million, or 88 percent for the 2007-08 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$26 million, or 10 percent as compared to \$35 million, or 12 percent in the prior year.
- During the current year, General Fund expenditures exceeded revenues by \$8.2 million. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$9.4 million.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$13.1 million at June 30, 2009, or 6.5 percent of General Fund expenditures as compared to \$12.1 million, or 6 percent at June 30, 2008.

**OVERVIEW OF 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 District 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.

The government-wide statements present the District's activities in two categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents 14 separate legal entities in this report including 13 charter schools and one foundation. Although legally separate organizations, the component units are included in this report

because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units are reported separately from the financial information presented for the primary government.

The Alachua County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

### **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of two broad categories 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 funds statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

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

The District uses private-purpose trust funds to account for the J. Dale Haynie Trust, the career service award program, and the Diamond Sports Park.

The District uses a pension trust fund to account for its early retirement program.

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, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 66,863,214	\$ 74,404,352
Capital Assets	152,204,614	156,369,026
<b>Total Assets</b>	<b>219,067,828</b>	<b>230,773,378</b>
Long-Term Liabilities	118,526,395	127,809,218
Other Liabilities	9,890,832	10,536,741
<b>Total Liabilities</b>	<b>128,417,227</b>	<b>138,345,959</b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	64,509,614	57,961,951
Restricted	31,119,817	38,004,712
Unrestricted Deficit	(4,978,830)	(3,539,244)
<b>Total Net Assets</b>	<b>\$ 90,650,601</b>	<b>\$ 92,427,419</b>

The largest portion of the District's net assets (71 percent) 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. Normally, unrestricted net assets may be used to meet the government's ongoing obligations to students, employees, and creditors of the District.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

<b>Operating Results for the Year</b>			
Governmental			
Activities			
	6-30-09	6-30-08	
Program Revenues:			
Charges for Services	\$ 7,862,182	\$ 7,702,437	
Operating Grants and Contributions	13,206,934	14,141,766	
Capital Grants and Contributions	4,466,714	12,880,546	
General Revenues:			
Property Taxes, Levied for Operational Purposes	78,775,445	70,653,771	
Property Taxes, Levied for Debt Service	8,524,620	8,347,341	
Property Taxes, Levied for Capital Projects	23,150,950	24,699,085	
Grants and Contributions Not Restricted to Specific Programs	126,927,930	148,641,855	
Unrestricted Investment Earnings	887,389	2,812,041	
Miscellaneous	2,594,772	2,313,959	
<b>Total Revenues</b>	<b>266,396,936</b>	<b>292,192,801</b>	
Functions:			
Instruction	127,211,053	134,484,153	
Pupil Personnel Services	14,604,057	16,093,038	
Instructional Media Services	4,515,361	5,080,587	
Instruction and Curriculum Development Services	10,176,969	10,507,147	
Instructional Staff Training Services	3,991,669	4,384,698	
Instruction Related Technology	2,900,792	3,230,985	
Board of Education	776,309	640,255	
General Administration	1,466,690	1,125,881	
School Administration	12,775,171	13,330,896	
Facilities Acquisition and Construction	9,004,681	8,750,422	
Fiscal Services	1,547,690	1,575,466	
Food Services	11,304,699	12,498,446	
Central Services	3,284,368	3,441,394	
Pupil Transportation Services	10,331,117	12,976,483	
Operation of Plant	22,312,257	23,820,115	
Maintenance of Plant	5,099,611	5,230,746	
Administrative Technology Services	1,543,077	1,567,559	
Community Services	3,324,217	3,148,097	
Interest on Long-Term Debt	4,652,266	5,107,337	
Unallocated Depreciation Expense	17,351,700	19,461,943	
<b>Total Functions</b>	<b>268,173,754</b>	<b>286,455,648</b>	
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (1,776,818)</b>	<b>\$ 5,737,153</b>	

State revenues decreased by \$32 million, or 22 percent, primarily due to a decrease in Florida Education Finance Program (FEFP) and Public Education Capital Outlay funding. Local tax revenue increased \$6.8 million, or 7 percent, due to increases in property values.

The largest revenue source is the State of Florida (42 percent). Revenues from State sources for current operations are primarily received through the FEFP funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Other State revenues are primarily for meeting the requirements of the Class Size Reduction Amendment. Other State revenues decreased by \$13.1 million, or 23 percent, from the previous year, primarily due to the reduction of Public Education Capital Outlay funding.

Instructional expenses represent 61 percent of total governmental expenses in the 2008-09 fiscal year. Instructional expenses decreased by \$10.3 million, or 6 percent, from the previous year due mainly to a decrease in the allocation of school staff.

## **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 \$13.1 million, while the total fund balance is \$21.3 million. The unreserved fund balance increased by \$1 million, while the total fund balance increased by \$0.3 million during the fiscal year. Key factors in this growth are as follows:

- An \$18.9 million decrease in the Florida Education Finance Program (FEFP) funding.
- Total expenditures decreased by \$16 million, or 7 percent, due mainly to a decrease in staff allocations and reduction in operating costs.
- Factors affecting fund balance available for general appropriation also include an increase of \$1.6 million in the unexpended balance of State categorical program revenues, which is required to be carried forward to the following year to be expended for specific categorical educational programs.

The Special Revenue - Other Federal Programs Fund accounts for the financial resources of certain Federal grant programs. Revenues and expenditures totaled \$23.5 million during the 2008-09 fiscal year, a slight increase from the previous fiscal year.

The Special Revenue - ARRA Economic Stimulus Fund was established during the 2008-09 fiscal year to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act. Revenues and expenditures totaled \$157,000 during the 2008-09 fiscal year.

The Capital Projects - Local Capital Improvement Fund had a total fund balance of \$15.3 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by approximately \$648,000 because the revenues earned during the 2008-09 fiscal year were for specified projects, some of which will take more than one year to complete. For those projects, the expenditures will be recognized when incurred during future periods.

The Capital Projects - Other Fund has a total fund balance of \$8.2 million all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of various facilities listed in the District's certificates of participation agreements.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a \$7.5 million decrease in total budgeted revenues, or 4 percent. The decrease was primarily attributable to a reduction in Florida Education Finance Program (FEFP) funds that was not anticipated when the original budget for the 2008-09 fiscal year was adopted. At the same time, final appropriations were more than the original budgeted amounts by \$9.1 million. Actual expenditures were \$15.5 million, or 7 percent less than final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$15.7 million.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$152.2 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; audio visual materials and computer software; and construction in progress.

Major capital asset events during the current fiscal year included the yet-to-be-completed construction of various classroom additions and multipurpose buildings.

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2009, the District has total long-term debt outstanding of \$95.9 million. This amount is comprised of \$22.7 million of bonds payable and \$73.2 million of certificates of participation payable. During the year, retirement of debt, net of a certificates of participation refunding issue, amounted to \$11 million.

Additional information on the District's long-term debt can be found in Notes 6 through 9 to the financial statements.

## **OTHER MATTERS OF SIGNIFICANCE**

Due to continued shortfalls in anticipated State tax revenues resulting from recent declines in the economy, the District reduced, by \$13.3 million, its budgeted State revenues for the 2009-10 fiscal year. The District anticipates that this reduction will be more than offset by revenues from an additional millage levy for operating purposes that was approved by the voters during the November 2008 election, as well as State fiscal stabilization funding, which is part of the American Recovery and Reinvestment Act.

The District will continue with current plans to reduce expenses and build reserves to offset future reductions in revenue.

## **REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to Scott Ward, Chief Financial Officer, Alachua County Public Schools, 620 East University Avenue, Gainesville, Florida 32601.

# BASIC FINANCIAL STATEMENTS

## ALACHUA COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2009

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,869,214.91	\$ 3,002,122.00
Investments	52,934,462.65	158,898.00
Accounts Receivable, Net	158,719.66	51,120.00
Deposits Receivable		38,355.00
Due from Other Agencies	5,379,082.13	40,847.00
Internal Balances	41,798.00	8,204.00
Inventories	1,888,504.16	
Prepaid Items		40,161.00
Restricted Assets:		
Cash with Fiscal Agent		1,188,019.00
Investments	4,591,431.98	
Capital Assets:		
Nondepreciable Capital Assets	8,019,621.99	677,035.00
Depreciable Capital Assets, Net	144,184,992.45	4,369,997.00
<b>TOTAL ASSETS</b>	<b>\$ 219,067,827.93</b>	<b>\$ 9,574,758.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 103,236.57	\$ 93,707.00
Payroll Deductions and Withholdings	5,768,975.29	80,863.00
Accounts Payable	2,999,640.60	162,569.00
Construction Contracts Payable	448,068.59	
Construction Contracts Payable - Retainage	352,762.56	
Due to Other Agencies	82,701.14	51,760.00
Sales Tax Payable	641.27	
Deposits Payable	44,545.33	
Deferred Revenue	90,260.73	
Long-Term Liabilities:		
Portion Due Within One Year	13,881,509.57	199,131.00
Portion Due After One Year	104,644,885.38	1,845,528.00
<b>Total Liabilities</b>	<b>128,417,227.03</b>	<b>2,433,558.00</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	64,509,614.15	3,077,457.00
Restricted for:		
State Categorical Programs	4,648,689.46	92.00
Debt Service	5,840,941.08	
Capital Projects	17,897,582.03	171,524.00
Other Purposes	2,732,604.20	2,104,893.00
Unrestricted	(4,978,830.02)	1,787,234.00
<b>Total Net Assets</b>	<b>90,650,600.90</b>	<b>7,141,200.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 219,067,827.93</b>	<b>\$ 9,574,758.00</b>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 127,211,053.29	\$ 3,143,989.30	\$	\$
Pupil Personnel Services	14,604,056.51			
Instructional Media Services	4,515,360.61			
Instruction and Curriculum Development Services	10,176,969.05			
Instructional Staff Training Services	3,991,669.27			
Instruction Related Technology	2,900,791.74			
Board of Education	776,309.37			
General Administration	1,466,690.22			
School Administration	12,775,171.28			
Facilities Acquisition and Construction	9,004,681.25			1,507,388.77
Fiscal Services	1,547,689.87			
Food Services	11,304,699.00	4,313,739.86	7,501,251.48	
Central Services	3,284,368.25			
Pupil Transportation Services	10,331,116.74	404,452.67	5,705,682.00	
Operation of Plant	22,312,257.15			
Maintenance of Plant	5,099,611.25			2,069,414.00
Administrative Technology Services	1,543,077.32			
Community Services	3,324,216.61			
Interest on Long-Term Debt	4,652,266.08			889,911.55
Unallocated Depreciation Expense	17,351,699.58			
Total Primary Government	\$ 268,173,754.44	\$ 7,862,181.83	\$ 13,206,933.48	\$ 4,466,714.32
Component Units				
Charter Schools/Foundation	\$ 10,400,765.00	\$ 258,518.00	\$ 268,734.00	\$ 709,868.00

**General Revenues:**

**Taxes:**

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings (Loss)

Miscellaneous

Special Items

**Total General Revenues and Special Items**

**Change in Net Assets**

Net Assets - Beginning

**Net Assets - Ending**

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government		Component	
Governmental		Units	
Activities			
\$	(124,067,063.99)	\$	
	(14,604,056.51)		
	(4,515,360.61)		
	(10,176,969.05)		
	(3,991,669.27)		
	(2,900,791.74)		
	(776,309.37)		
	(1,466,690.22)		
	(12,775,171.28)		
	(7,497,292.48)		
	(1,547,689.87)		
	510,292.34		
	(3,284,368.25)		
	(4,220,982.07)		
	(22,312,257.15)		
	(3,030,197.25)		
	(1,543,077.32)		
	(3,324,216.61)		
	(3,762,354.53)		
	(17,351,699.58)		
	(242,637,924.81)		
			(9,163,645.00)
	78,775,445.44		
	8,524,620.23		
	23,150,949.96		
	126,927,929.93	8,846,842.00	
	887,389.19	(146,432.00)	
	2,594,772.11	41,543.00	
		(179,983.00)	
	240,861,106.86	8,561,970.00	
	(1,776,817.95)	(601,675.00)	
	92,427,418.85	7,742,875.00	
\$	90,650,600.90	\$	7,141,200.00

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

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - ARRA Economic Stimulus Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 704,411.62	\$ 501,763.80	\$
Investments	25,295,100.22	382,810.56	
Accounts Receivable	153,574.54	5,145.12	
Due from Other Funds:			
Budgetary Funds	401,658.79	146,207.62	2.08
Internal Funds	41,798.00		
Due from Other Agencies	558,090.82	134,843.65	157,129.60
Investments with Fiscal Agent			
Inventories	1,284,715.23		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 28,439,349.22</u>	<u>\$ 1,170,770.75</u>	<u>\$ 157,131.68</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 101,256.08	\$ 1,529.21	\$ 451.28
Payroll Deductions and Withholdings	5,619,014.74	111,253.49	10,165.86
Accounts Payable	1,134,258.42	975,286.91	4,724.39
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Sales Tax Payable	641.27		
Due to Other Funds	264,419.55		141,790.15
Due to Other Agencies		82,701.14	
Deposits Payable	44,545.33		
Deferred Revenue			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>7,164,135.39</u>	<u>1,170,770.75</u>	<u>157,131.68</u>
Fund Balances:			
Reserved for State Categorical Programs	3,165,435.57		
Reserved for Encumbrances	963,665.73		
Reserved for Inventories	1,284,715.23		
Reserved for Debt Service			
Reserved for Other Purposes	2,732,604.20		
Unreserved:			
Designated for Terminal Pay	1,191,166.43		
Designated for Other Purposes	205,321.77		
Undesignated, Reported in:			
General Fund	11,732,304.90		
Special Revenue Fund			
Capital Projects Funds			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<u>21,275,213.83</u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 28,439,349.22</u>	<u>\$ 1,170,770.75</u>	<u>\$ 157,131.68</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 214,871.74 15,926,194.13	\$ 67,806.98 8,095,645.43	\$ 380,360.77 3,234,712.31	\$ 1,869,214.91 52,934,462.65 158,719.66
			547,868.49
			41,798.00
7,572.78		4,521,445.28	5,379,082.13
	89,094.46	4,502,337.52	4,591,431.98
		603,788.93	1,888,504.16
<u>\$ 16,148,638.65</u>	<u>\$ 8,252,546.87</u>	<u>\$ 13,242,644.81</u>	<u>\$ 67,411,081.98</u>
\$	\$	\$	\$
		28,541.20	103,236.57
667,280.76	27,517.53	190,572.59	5,768,975.29
20,980.26		427,088.33	2,999,640.60
39,850.84	22,261.10	290,650.62	448,068.59
			352,762.56
			641.27
135,052.32		6,606.47	547,868.49
			82,701.14
			44,545.33
		90,260.73	90,260.73
<u>863,164.18</u>	<u>49,778.63</u>	<u>1,033,719.94</u>	<u>10,438,700.57</u>
		1,483,253.89	4,648,689.46
1,877,405.48	58,951.21	2,255,728.10	5,155,750.52
		603,788.93	1,888,504.16
		5,840,941.08	5,840,941.08
			2,732,604.20
			1,191,166.43
			205,321.77
			11,732,304.90
		1,591,439.15	1,591,439.15
13,408,068.99	8,143,817.03	433,773.72	21,985,659.74
<u>15,285,474.47</u>	<u>8,202,768.24</u>	<u>12,208,924.87</u>	<u>56,972,381.41</u>
<u>\$ 16,148,638.65</u>	<u>\$ 8,252,546.87</u>	<u>\$ 13,242,644.81</u>	<u>\$ 67,411,081.98</u>

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

**Total Fund Balances - Governmental Funds** \$ 56,972,381.41

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 152,204,614.44

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:

Certificates of Participation Payable	\$ 73,161,000.00	
Bonds Payable	22,755,000.00	
Compensated Absences Payable	21,124,394.95	
Postemployment Healthcare Benefits Payable	1,486,000.00	(118,526,394.95)

**Total Net Assets - Governmental Activities** \$ 90,650,600.90

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

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

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - ARRA Economic Stimulus Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 185,301.23	\$ 4,529,552.86	\$
Federal Through State and Local	860,136.12	18,998,144.45	157,129.60
State	107,961,443.10		
Local:			
Property Taxes	78,715,814.95		
Charges for Service - Food Service			
Miscellaneous	6,444,091.75		
<b>Total Revenues</b>	<b>194,166,787.15</b>	<b>23,527,697.31</b>	<b>157,129.60</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	113,462,386.66	12,665,841.60	123,858.27
Pupil Personnel Services	12,064,942.83	2,420,903.82	2,445.65
Instructional Media Services	4,477,929.30	632.36	
Instruction and Curriculum Development Services	6,450,281.23	3,627,946.22	11,002.00
Instructional Staff Training Services	1,372,231.85	2,588,883.37	
Instruction Related Technology	2,813,231.65	66,570.45	
Board of Education	774,264.50		
General Administration	809,463.17	644,901.95	5,452.34
School Administration	12,659,361.80	6,550.82	
Facilities Acquisition and Construction	225,159.81	22,665.65	
Fiscal Services	1,533,838.63	250.00	
Food Services			
Central Services	3,057,518.82	201,560.53	
Pupil Transportation Services	10,117,397.41	133,859.71	11,638.72
Operation of Plant	21,928,038.18	316,673.10	
Maintenance of Plant	5,063,156.16		
Administrative Technology Services	1,532,644.46		
Community Services	3,289,722.89	7,715.53	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	103,091.22	198,956.78	
Other Capital Outlay	669,976.73	623,785.42	2,732.62
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<b>202,404,637.30</b>	<b>23,527,697.31</b>	<b>157,129.60</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(8,237,850.15)</b>		
<b>Other Financing Sources (Uses)</b>			
Transfers In	8,628,461.91		
Refunding Certificates of Participation Issued			
Insurance Loss Recoveries	32,585.96		
Payments to Refunded Certificates of Participation Escrow Agent			
Transfers Out	(89,058.90)		
<b>Total Other Financing Sources (Uses)</b>	<b>8,571,988.97</b>		
<b>Net Change in Fund Balances</b>	<b>334,138.82</b>		
Fund Balances, Beginning	20,941,075.01		
<b>Fund Balances, Ending</b>	<b>\$ 21,275,213.83</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		7,301,359.48	4,714,854.09
	713,111.00	3,939,425.54	27,316,769.65
			112,613,979.64
23,131,026.19		8,515,116.29	110,361,957.43
		4,313,739.86	4,313,739.86
182,928.82	144,624.68	271,404.61	7,043,049.86
23,313,955.01	857,735.68	24,341,045.78	266,364,350.53
			126,252,086.53
			14,488,292.30
			4,478,561.66
			10,089,229.45
			3,961,115.22
			2,879,802.10
			774,264.50
			1,459,817.46
			12,665,912.62
			247,825.46
			1,534,088.63
		11,254,834.65	11,254,834.65
			3,259,079.35
			10,262,895.84
			22,244,711.28
			5,063,156.16
			1,532,644.46
			3,297,438.42
10,427,305.51	557,818.33	9,360,477.02	20,647,648.86
			1,296,494.77
2,885,000.00		8,125,000.00	11,010,000.00
3,272,881.77		1,354,515.56	4,627,397.33
16,585,187.28	557,818.33	30,094,827.23	273,327,297.05
6,728,767.73	299,917.35	(5,753,781.45)	(6,962,946.52)
	160,000.00	324,298.55	9,112,760.46
		5,315,000.00	5,315,000.00
			32,585.96
		(5,279,868.75)	(5,279,868.75)
(6,081,176.56)	(713,111.00)	(2,229,414.00)	(9,112,760.46)
(6,081,176.56)	(553,111.00)	(1,869,984.20)	67,717.21
647,591.17	(253,193.65)	(7,623,765.65)	(6,895,229.31)
14,637,883.30	8,455,961.89	19,832,690.52	63,867,610.72
\$ 15,285,474.47	\$ 8,202,768.24	\$ 12,208,924.87	\$ 56,972,381.41

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

**Net Change in Fund Balances - Governmental Funds** \$ (6,895,229.31)

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

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

Capital Outlays	\$ 13,187,287.84	
Depreciation Expense	<u>(17,351,699.58)</u>	(4,164,411.74)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period. 10,950,000.00

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. (954,176.90)

Postemployment healthcare benefits cost are recorded in the Statement of Activities under the full accrual method, but in the governmental funds when due. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year. (713,000.00)

**Change in Net Assets - Governmental Activities** \$ (1,776,817.95)

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

**ALACHUA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
June 30, 2009**

	Private-Purpose Trust Funds	Pension Trust Fund	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,109.53	\$ 655.87	\$ 3,006,598.00
Investments	486,998.54	2,661,868.70	
Accounts Receivable			118,897.00
Inventory			55,179.00
<b>TOTAL ASSETS</b>	<u>\$ 488,108.07</u>	<u>\$ 2,662,524.57</u>	<u>\$ 3,180,674.00</u>
<b>LIABILITIES</b>			
Accounts Payable	\$	\$	\$ 44,862.00
Due to Other Funds			41,798.00
Internal Accounts Payable			3,094,014.00
<b>Total Liabilities</b>			<u>\$ 3,180,674.00</u>
<b>NET ASSETS</b>			
Assets Held in Trust for Pension Benefits		2,662,524.57	
Assets Held in Trust for Scholarships and Other Purposes	488,108.07		
<b>Total Net Assets</b>	<u>488,108.07</u>	<u>2,662,524.57</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 488,108.07</u>	<u>\$ 2,662,524.57</u>	

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

**ALACHUA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2009**

	Private-Purpose Trust Funds	Pension Trust Fund
<b>ADDITIONS</b>		
<b>Contributions:</b>		
Employer	\$	\$ 741,856.30
<b>Investment Earnings:</b>		
Net Decrease in Fair Value of Investments	(2,034.50)	(890,238.95)
Interest, Dividends, and Other	5,551.46	81,403.91
<b>Net Investment Income</b>	3,516.96	(808,835.04)
<b>Total Additions</b>	3,516.96	(66,978.74)
<b>DEDUCTIONS</b>		
Benefits Paid to Participants		606,933.95
Purchased Services		13,822.00
<b>Total Deductions</b>		620,755.95
<b>Change in Net Assets</b>	3,516.96	(687,734.69)
Net Assets - Beginning	484,591.11	3,350,259.26
<b>Net Assets - Ending</b>	\$ 488,108.07	\$ 2,662,524.57

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Alachua County School District is considered part of the Florida system of public education. The governing body of the school district is the Alachua County District School Board which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Alachua 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 these criteria, the following component units are included within the District School Board's reporting entity:

- **Blended Component Unit.** The Alachua County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Alachua County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Units.** The component units columns in the government-wide financial statements include the financial data of the Alachua County Public Schools Foundation, Inc. (Foundation), and 13 charter schools: The Alachua Learning Center, Inc.; The Caring and Sharing Learning School, Inc.; Einstein Montessori School, Inc.; Expressions Learning Arts Academy, Inc.; Florida School for Integrated Academics and Technologies Gainesville, Inc.; Genesis Preparatory School of Gainesville, Inc.; Healthy Learning Academy, Inc.; Hoggetowne Middle School, Inc.; Love to Learn Education Center, Inc., which ceased operations on August 11, 2008; Micanopy Area Cooperative School, Inc.; Micanopy Middle School, Inc.; The One Room School House Project, Inc.; and Sweetwater Branch Academy. The charter schools are considered component units of the District since they are fiscally dependent on the District to levy taxes for their support.

As of June 30, 2008, DeSoto High School, Inc., a charter school reported as a component unit of the District during the 2007-08 fiscal year, ceased operations.

The Foundation is a separate, not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, and was formed to provide charitable and educational aid to the School Board, to promote education, and to encourage research, learning, and dissemination of information. The Foundation receives administrative

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

support from the District and is financially accountable to the District; accordingly, it is considered a component unit.

The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Alachua County District School Board.

The financial data reported on the accompanying financial statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2009, which are available at the District's administrative office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, consisting of 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 and its component units.

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 is not readily associated with a particular function and is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. 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, except for interfund services provided and used.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.

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

- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – 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: construction, remodeling, and addition projects; Districtwide maintenance, renovation, and repair; motor vehicle purchases; new and replacement equipment purchases; payments for educational facilities and sites due under lease-purchase agreements (COPS); payments for renting and leasing education facilities and sites; and payment of the cost of leasing relocatable educational facilities.
- Capital Projects – Other Fund – to account for the financial resources primarily generated by the issuance of certificates of participation to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and computer equipment.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Funds – to account for resources of the J. Dale Haynie Trust Fund, the career service award program, and the Diamond Sports Park.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the 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

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

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

The Alachua County Public Schools Foundation, Inc., is accounted for as a not-for-profit organization and follows the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

The District's cash and cash equivalents consist of cash on hand and demand deposits. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, 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 the State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys; amounts placed with SBA for participation in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which effective July 1, 2009, is known as Florida PRIME, and the Fund B Surplus Funds Trust Fund (Fund B) that are investment pools created by Section 218.405 and 218.417, Florida Statutes; and those made locally. The LGIP and Fund B investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

Investments made locally consist of money market funds, mutual funds, and United States Government Securities and are reported at fair value. 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. The central stores, transportation, maintenance and the food service nonfood inventories are valued at cost on the moving average basis. The purchased food inventories are valued at final year-end contract price, which approximates cost on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000 with a useful life greater than one year. 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.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the composite method, except for property under capital lease that is depreciated under the straight-line method over the shorter of the lease term or the asset's useful life.

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	9 - 37 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 12 years
Property Under Capital Lease	10 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	4 - 5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

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➤ **State Revenue Sources**

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

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

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 16, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial

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statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Alachua County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

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

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

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

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JUNE 30, 2009**

### 3. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
Governmental Funds:		
State Board of Administration (SBA):		
Local Government Surplus Funds Trust Fund		
Fund Investment Pool (LGIP) (1)	46 Day Average	\$ 44,484,644.41
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	178,487.62
Debt Service Accounts	6 Months	160,446.06
Evergreen Institutional Treasury Money Market Fund (1)	57 Day Average	5,604,449.44
United States Treasury Inflation Protection Security (2)	July 2012 - April 2029	3,766,873.20
First American Treasury Money Market Fund (1), (3)	46 Day Average	3,330,993.90
Total Governmental Funds		<u>57,525,894.63</u>
Fiduciary Funds:		
SBA LGIP	46 Day Average	1,108,439.54
UBS Global - RMA Money Market Portfolio	Less Than 3 Months	74,005.68
UBS Global - United States Government Securities	March 2011 - February 2031	1,966,422.02
Total Fiduciary Funds		<u>3,148,867.24</u>
Total Investments, Reporting Entity		<u><u>\$ 60,674,761.87</u></u>

- Note: (1) Includes \$5,441,281.25 in LGIP, \$5,949.89 in Evergreen Institutional, and \$2,598,883.88 in First American which are being held under a trust agreement in connection with the Certificates of Participation, Series 2001, 2001-QZAB, 2004, 2005, 2005-QZAB, and 2009A financing arrangements. (See Note 6.) Money market funds include amounts invested in securities that are issued or guaranteed as to payment of principal and interest by the United States Government.
- (2) These funds are held under a master repurchase agreement in connection with the Certificates of Participation, 2001-QZAB. (See Note 6.)
- (3) Includes \$732,110.02 held under a security delivery agreement in connection with the Certificates of Participation, Series 2005-QZAB. (See Note 6.)

#### Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate investments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had an average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

**Credit Risk**

- Section 218.415(17), Florida Statutes, limits investments to SBA LGIP, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in the SBA Debt Service Accounts are to provide debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2009, the District's investment in LGIP is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investment in the Evergreen Institutional Treasury Money Market Fund and First American Treasury Money Market Fund are rated AAAM by Standard & Poor's and AAA by Moody's Investors Service. Investments in the UBS Global – RMA Money Market Portfolio are not rated.

**Custodial Credit Risk**

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- Of the District's \$1,966,422.02 investment in United States Government Securities, all are held by the investment's counterparty, not in the name of the District.
- In connection with the issuance of its \$5,147,000 Taxable Certificates of Participation, Series 2001-QZAB, U.S. Bank, as successor Trustee, entered into a Master Repurchase Agreement with Bank of America, National Association. The moneys are invested at a rate of 5 percent and will accrue to a total value of \$5,147,000 on October 25, 2015, the repurchase date of the agreement. Under the terms of the agreement, Bank of America must post collateral in an amount equal to

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103 percent of the investment value. Eligible collateral is limited to direct obligations of the Department of the Treasury of the United States Government and certain obligations of Federal agencies which represent the full faith and credit of the United States of America. All collateral must be adjusted to market at least monthly.

- In connection with the issuance of its \$1,794,000 Taxable Certificates of Participation, Series 2005-QZAB, the School Board of Alachua County; U.S. Bank, as successor Trustee; and Wachovia Bank, National Association, as Provider, entered into a Security Delivery Agreement dated December 22, 2005. The moneys are invested at a rate of 3.57 percent and will accrue to a total value of \$1,794,000 on December 22, 2020. At the time of each deposit by the Board, the Trustee purchases and holds on behalf of the Board eligible securities from the Provider. Eligible securities include direct obligations of the Department of the Treasury of the United States Government and certain obligations of Federal agencies which represent the full faith and credit of the United States of America, and other securities as outlined in the Security Delivery Agreement.

**4. RECEIVABLES**

Due from Other Agencies in the other (nonmajor) governmental funds includes \$1,627,637 due from the State for Classrooms for Kids proceeds and \$1,894,319 for Public Education Capital Outlay projects. These receivables are for long-term capital projects and may not be entirely collected within one year.

Management has determined that all receivables are considered fully collectible, and therefore, no allowance for uncollectible accounts has been recognized.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,663,696.69	\$	\$	\$ 5,663,696.69
Construction in Progress	5,625,680.77	9,854,064.23	13,123,819.70	2,355,925.30
Total Capital Assets Not Being Depreciated	11,289,377.46	9,854,064.23	13,123,819.70	8,019,621.99
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	30,006,660.10	866,147.86	22,901.00	30,849,906.96
Buildings and Fixed Equipment	311,765,762.33	12,257,671.84	53,849.07	323,969,585.10
Furniture, Fixtures, and Equipment	24,862,534.47	2,098,558.96	2,329,584.63	24,631,508.80
Motor Vehicles	17,899,605.73	924,757.90	1,069,619.89	17,754,743.74
Property Under Capital Lease	3,580,564.00			3,580,564.00
Audio Visual Materials and Computer Software	5,973,006.85	309,906.75	1,168,245.59	5,114,668.01
Total Capital Assets Being Depreciated	394,088,133.48	16,457,043.31	4,644,200.18	405,900,976.61
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	16,008,224.94	1,623,360.31	22,901.00	17,608,684.25
Buildings and Fixed Equipment	187,116,693.92	14,091,812.46	53,849.07	201,154,657.31
Furniture, Fixtures, and Equipment	18,430,389.32	1,636,526.81	2,329,584.63	17,737,331.50
Motor Vehicles	17,899,605.73		1,069,619.89	16,829,985.84
Property Under Capital Lease	3,580,564.00			3,580,564.00
Audio Visual Materials and Computer Software	5,973,006.85		1,168,245.59	4,804,761.26
Total Accumulated Depreciation	249,008,484.76	17,351,699.58	4,644,200.18	261,715,984.16
Total Capital Assets Being Depreciated, Net	145,079,648.72	(894,656.27)		144,184,992.45
Governmental Activities Capital Assets, Net	<u>\$ 156,369,026.18</u>	<u>\$ 8,959,407.96</u>	<u>\$ 13,123,819.70</u>	<u>\$ 152,204,614.44</u>

The classes of property under capital leases are reported in Note 6.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Unallocated	<u>\$17,351,699.58</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**6. CERTIFICATES OF PARTICIPATION**

Certificates of Participation at June 30, 2009, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2001	\$ 20,355,000	4.25 - 5.00	2021	\$ 24,200,000
Series 2001-QZAB	5,147,000	(1)	2016	5,147,000
Series 2004	20,150,000	5.1	2029	20,150,000
Series 2005, Refunding	20,400,000	2.7 - 5.0	2018	22,815,000
Series 2005-QZAB	1,794,000	(1)	2021	1,794,000
Series 2009A, Refunding	5,315,000	2.77	2014	5,315,000
Total Certificates of Participation	<u>\$ 73,161,000</u>			

Note: (1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZABs. The rate of return to the holders was established by the United States Government at the time of sale.

The District entered into financing arrangements, characterized as lease-purchase agreements, with the Alachua County School Board Leasing Corporation whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of certificates of participation by the Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Alachua County School Board Leasing Corporation, with rental fees of \$1 per year, except for the 2001 Qualified Zone Academy Bonds (QZAB) and the 2005-QZAB, which are secured by computer equipment. The initial terms of the leases end on the earlier of the maturity date, or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms of five years. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangements. The lease payments, which are used to make debt service payments on the certificates, are payable from funds appropriated annually by the District for such purpose from the local capital outlay tax levy or other funds legally available.

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The District properties included in the ground leases under these arrangements include land on which the projects have been constructed. The projects related to the ground leases are as follows:

Series 2001

- Shell Elementary School Food Service and Dining Facilities
- Kanapaha Middle School Exceptional Building for Physically Impaired
- Spring Hill Middle School Classroom and Dining Facilities
- Eastside High School Classrooms and Administrative Facilities
- Sidney Lanier Center Classrooms and Dining Facilities
- Tennis Courts at Buchholz, Eastside, Hawthorne, Lofton, Newberry, and Santa Fe High Schools
- Glen Springs Elementary School Food Service and Art and Music Facilities
- Howard Bishop Middle School Classrooms and Laboratories
- Westwood Middle School Food Service Facilities and Multi-Purpose Building
- Kirby-Smith Center Parking Upgrades and Site Improvements

Series 2004

- Horizon Center New Classrooms and Support Facilities
- Hawthorne Middle/High School Classroom Remodeling
- Rawlings Elementary School Food Service/Multi-Purpose Building
- Lofton High School/Horizon Center New Gymnasium/Multi-Purpose Building and Food Service Improvements
- Hidden Oak Elementary School New 10-Classroom Building
- Norton Elementary School New 4-Classroom Building
- Talbot Elementary School New 10-Classroom Building
- Wiles Elementary School New 10-Classroom Building
- Newberry Elementary School New 4-Classroom Building

Series 2005 Refunding

- Certificates of Participation, Series 1997, maturing in the years 2008 to 2018, and the underlying projects
- Certificates of Participation, Series 1998, maturing in the years 2009 to 2018, and the underlying projects

Series 2009A Refunding

- Certificates of Participation, Series 1997A, maturing in the years 2009 to 2014, and the underlying project: Kanapaha Middle School

The lease under the Series 2001-QZAB and the Series 2005-QZAB issues includes computer equipment purchased throughout the District.

Lease payments, with the exception of the Series 2001-QZAB and the Series 2005-QZAB issues, are payable by the District, semiannually, on July 1 and January 1. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

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<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 6,096,040.50	\$ 3,045,000.00	\$ 3,051,040.50
2011	6,089,462.00	3,135,000.00	2,954,462.00
2012	6,095,562.00	3,245,000.00	2,850,562.00
2013	6,097,775.50	3,360,000.00	2,737,775.50
2014	6,100,152.50	3,480,000.00	2,620,152.50
2015-2019	35,952,105.00	25,347,000.00	10,605,105.00
2020-2024	23,631,420.00	18,024,000.00	5,607,420.00
2025-2029	15,713,540.00	13,525,000.00	2,188,540.00
Total Minimum Lease Payments	<u>\$ 105,776,057.50</u>	<u>\$ 73,161,000.00</u>	<u>\$ 32,615,057.50</u>

The Series 2001-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of October 25, 2001, will mature on October 25, 2015, for the original \$5,147,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$596,350 for five consecutive years beginning on October 25, 2002, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the Certificates at maturity. The Series 2005-QZAB Certificates of Participation were issued under a special program whereby the Certificates, bearing an original issue date of December 22, 2005, will mature on December 22, 2020, for the original \$1,794,000 issue amount. There is no interest cost for borrowing monies under this program. Mandatory lease payment account deposits of \$235,240 for five consecutive years beginning on December 22, 2006, were established. It is anticipated that these deposits, along with accrued interest, will be sufficient to redeem the Certificates at maturity.

**7. BONDS PAYABLE**

Bonds payable at June 30, 2009, 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 1999A	\$ 315,000	4.375 - 4.750	2019
Series 2005A	4,200,000	4.75 - 5.00	2016
Series 2005B, Refunding	1,105,000	5.00 - 5.25	2018
District General Obligation Bonds:			
Series 2001, Refunding	3,425,000	4.25	2010
Series 2003, Refunding	<u>13,710,000</u>	3.7 - 4.0	2012
Total Bonds Payable	<u>\$ 22,755,000</u>		

The various bonds were issued to finance capital outlay projects of the District or to refund prior bonds.

**ALACHUA COUNTY  
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JUNE 30, 2009**

The following is a description of the bonded debt issues:

➤ **State School Bonds**

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

➤ **District General Obligation Bonds**

General Obligation Refunding Bonds, Series 2001 and 2003, are authorized by Section 12, Article VII, of the State Constitution and secured by a pledge of property taxes levied, pursuant to Chapters 1010 and 1011, Florida Statutes.

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

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2010	\$ 904,875.00	\$ 625,000.00	\$ 279,875.00
2011	908,812.50	660,000.00	248,812.50
2012	910,962.50	695,000.00	215,962.50
2013	916,362.50	735,000.00	181,362.50
2014	914,725.00	770,000.00	144,725.00
2015-2019	<u>2,342,725.00</u>	<u>2,135,000.00</u>	<u>207,725.00</u>
<b>Total State School Bonds</b>	<u>6,898,462.50</u>	<u>5,620,000.00</u>	<u>1,278,462.50</u>
<b>General Obligation Bonds:</b>			
2010	8,421,723.75	7,830,000.00	591,723.75
2011	4,923,755.00	4,570,000.00	353,755.00
2012	<u>4,919,665.00</u>	<u>4,735,000.00</u>	<u>184,665.00</u>
<b>Total General Obligation Bonds</b>	<u>18,265,143.75</u>	<u>17,135,000.00</u>	<u>1,130,143.75</u>
<b>Total</b>	<u><u>\$25,163,606.25</u></u>	<u><u>\$22,755,000.00</u></u>	<u><u>\$2,408,606.25</u></u>

**8. DEFEASED DEBT**

On May 1, 2009, the Board issued \$5,315,000 in Refunding Certificates of Participation (COPs), Series 2009A, with an interest rate of 2.770 percent, to advance-refund a portion of the District's COPs, Series 1997A. The refunding COPs were issued to advance-refund the \$6,170,000 principal amount of the COPs, Series 1997A, that mature on or after July 1, 2009. The net proceeds of \$5,279,495.56 (after payment of \$35,504.44 in underwriting fees, insurance, and other issuance costs), together with \$1,014,475 in transfers

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DISTRICT SCHOOL BOARD  
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JUNE 30, 2009**

from the District's Debt Service Fund and accrued interest, were placed in an irrevocable trust to provide for the future debt service payment on the Series 1997A COPs. As a result, \$6,170,000 of the Series 1997A COPs are considered to be in-substance defeased and the liability for these COPs has been removed from the government-wide financial statements.

The District refunded the Series 1997A COPs to reduce its total debt service payments over the next 6 years by approximately \$317,198.42 and to obtain an economic gain (difference between the present value of the debt service payments on the new and old debt) of \$290,825.15.

## 9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable	\$ 75,986,000.00	\$ 5,315,000.00	\$ 8,140,000.00	\$ 73,161,000.00	\$ 3,045,000.00
Bonds Payable	30,880,000.00		8,125,000.00	22,755,000.00	8,455,000.00
Compensated Absences Payable	20,170,218.05	3,228,115.04	2,273,938.14	21,124,394.95	2,381,509.57
Postemployment Healthcare Benefits Payable	773,000.00	1,598,000.00	885,000.00	1,486,000.00	
Total Governmental Activities	<u>\$ 127,809,218.05</u>	<u>\$ 10,141,115.04</u>	<u>\$ 19,423,938.14</u>	<u>\$ 118,526,394.95</u>	<u>\$ 13,881,509.57</u>

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

## 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 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – Other Federal Programs and ARRA Economic Stimulus Funds 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 in those two funds were \$742,301 and \$698, respectively, at June 30, 2009.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**11. 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	\$ 443,456.79	\$ 264,419.55
Special Revenue:		
Other Federal Programs	146,207.62	
ARRA Economic Stimulus	2.08	141,790.15
Capital Projects:		
Local Capital Improvement		135,052.32
Nonmajor Governmental		6,606.47
Fiduciary		41,798.00
Total	<u>\$ 589,666.49</u>	<u>\$ 589,666.49</u>

Interfund balances generally arise due to expenditures being adjusted between funds. All balances are expected to be repaid in less than one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$8,628,461.91	\$ 89,058.90
Capital Projects:		
Local Capital Improvement		6,081,176.56
Other	160,000.00	713,111.00
Nonmajor Governmental	324,298.55	2,229,414.00
Total	<u>\$9,112,760.46</u>	<u>\$9,112,760.46</u>

The principal purpose of the interfund transfers was to provide for expenditures originally paid out of other funds (e.g., property/casualty insurance premiums, portable rentals and maintenance paid out of the General Fund and subsequently reimbursed with Capital Projects Funds moneys).

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

**12. SCHEDULE OF STATE REVENUE SOURCES**

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 67,705,317.00
Categorical Educational Programs:	
Class Size Reduction Operating Funds	26,043,516.00
Transportation	5,705,682.00
Instructional Materials	2,566,330.00
Other	3,708,229.14
Gross Receipts Tax (Public Education Capital Outlay)	2,674,221.00
Workforce Development Program	1,334,760.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	873,708.36
Discretionary Lottery Funds	664,827.00
Food Service Supplement	201,765.00
Mobile Home License Tax	95,921.50
Miscellaneous	1,039,702.64
	<u>1,039,702.64</u>
Total	<u><u>\$ 112,613,979.64</u></u>

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

**13. PROPERTY TAXES**

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

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>GENERAL FUND</u></b>		
Nonvoted School Tax:		
Required Local Effort	5.256	\$ 72,076,448
Basic Discretionary Local Effort	0.498	6,829,261
Supplemental Discretionary Local Effort	0.210	2,879,669
<b><u>DEBT SERVICE FUNDS</u></b>		
Voted Tax:		
District General Obligation Bonds:		
Series 2001, Refunding	0.270	3,702,586
Series 2003, Refunding	0.375	5,142,536
<b><u>CAPITAL PROJECTS FUNDS</u></b>		
Nonvoted Tax:		
Local Capital Improvements	1.750	23,998,224
Total	<u>8.359</u>	<u>\$ 114,628,724</u>

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

**14. FLORIDA RETIREMENT SYSTEM**

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 335 District participants during the 2008-09 fiscal year. Required contributions to PEORP totaled \$1,422,424.92.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**FRS Retirement Contribution Rates**

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

Class 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
Florida Retirement System, Senior Management Service	0.00	13.12
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$13,863,342.59, \$13,116,352.14, and \$12,475,720.79, respectively, which were equal to the required contributions for each fiscal year.

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

**15. EARLY RETIREMENT PLAN**

**Plan Description.** As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (Plan) effective January 1, 1984. The Plan is a single-employer defined benefit pension plan. The purpose of the Plan is to provide District employees, who elect to retire under the early retirement provisions of the Florida Retirement System, described in Note 14, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement.

The Board administers Plan assets in a Pension Trust Fund and is responsible for their investment. The Board acts as the administrative agent for the Plan.

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As of June 30, 2009, employee membership data related to the Plan were as follows:

Retirees and Beneficiaries Currently Receiving Benefits	<u>152</u>
Active Plan Participants:	
Vested	580
Nonvested	<u>3,327</u>
Total Active Plan Participants	<u>3,907</u>
Total	<u>4,059</u>

A summary of Eligibility and Benefits follows:

**Eligibility.** A member of the Plan is eligible upon attainment of ages 55 to 61, completion of 25 years of creditable service, and having applied for retirement under the Florida Retirement System.

For those retiring during the period from July 1, 2008 (August 1, 2008, for teachers), through June 30, 2009, at least 20 years of creditable service must represent employment by the School Board of Alachua County and the employee must have at least 20 years experience in the Florida Retirement System.

For those retiring during the period from July 1, 2009, through June 30, 2013, the 15 years immediately preceding retirement must be as an employee of the School Board of Alachua County.

The Early Retirement Plan will be closed to new enrollees on or after July 1, 2013.

**Benefits.** Amount of the reduction in monthly benefits from the Florida Retirement System as a consequence of early retirement prior to age 62.

**Summary of Significant Accounting Policies.** Significant accounting policies related to basis of accounting and the method of asset valuation are disclosed in Note 1. Investment disclosures of the Pension Trust Fund are in Note 3.

**Contributions and Reserves.** The Plan was established on January 1, 1984, and may be amended by the Board. Pursuant to the Plan agreement, no contribution shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual pension cost of the Plan.

Periodic employer contributions to the Plan are determined on an actuarial basis using the "Aggregate Actuarial Cost Method." Annual pension cost is funded on a current basis.

Significant actuarial assumptions used to compute annual required contributions are the same as those used to determine the actuarial accrued liability.

Total contributions to the Plan in the 2008-09 fiscal year totaled \$741,856.30, all of which were paid by the Board in accordance with the contribution requirements determined through an actuarial valuation performed as of July 1, 2009.

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

The computation of the annual required contributions for 2009 was based on the same: (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method, and (d) other significant factors as used to determine annual required contributions in the previous year.

All of the assets in the District's Pension Trust Fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose.

Costs of administering the Plan are financed through the Plan's resources (employer contributions and investment earnings).

**Funded Status and Funding Progress.**

The schedule of funding progress, immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Information about the funded status of the Plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a))/(c)
7-1-2009	\$ 2,662,525	\$ 2,662,525	\$ 0	100 %	\$ 129,623,633	0 %

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	July 1, 2009
Actuarial Cost Method	Aggregate
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment Rate of Return	8 percent, includes inflation and cost-of-living adjustments at 3 percent
Projected Salary Increases	6 percent per year

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liability.

The District uses the aggregate actuarial cost method and therefore the information on the funded status and the funding progress of the plan have been prepared using the entry age actual cost method and is intended to serve as a surrogate for the funded status and the funding progress of the plan.

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

**16. POSTEMPLOYMENT HEALTHCARE BENEFITS**

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

**Funding Policy.** For the Postemployment Healthcare Benefits Plan, contribution requirements of the District and plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 652 retirees received postemployment healthcare benefits. The District provided required contributions of \$885,000 toward the annual OPEB cost, comprised of payments made on behalf of retirees net of retiree contributions totaling \$4,480,000, which represents 3 percent of covered payroll.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Description	Amount
Normal Cost (service cost for one year)	\$ 842,000
Amortization of Unfunded Actuarial Accrued Liability	727,000
Interest on Normal Cost and Amortization	<u>31,000</u>
Annual Required Contribution	1,600,000
Interest on Net OPEB Obligation	31,000
Adjustment to Annual Required Contribution	<u>(33,000)</u>
Annual OPEB Cost (Expense)	1,598,000
Contribution Toward the OPEB Cost	<u>(885,000)</u>
Increase in Net OPEB Obligation	713,000
Net OPEB Obligation, Beginning of Year	<u>773,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,486,000</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007-08	\$ 1,537,000	49.7 %	\$ 773,000
2008-09	1,598,000	55.4	1,486,000

**Funded Status and Funding Progress.** As of March 1, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$17,815,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$17,815,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$138,288,000 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.9 percent.

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

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

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

The District's initial OPEB actuarial valuation as of March 1, 2008, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, to estimate the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 2.5 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 29 years.

**17. 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 Alachua County District School Board is a member of the Florida School Board Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. FSBIT was established for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards. Effective May 1, 2009, for the 2009-10 policy year, the FSBIT trustees reduced insurance coverage per occurrence from \$200 million to \$150 million for all named perils, except named windstorms, the coverage for which remains at \$150 million.

Health and hospitalization insurance coverage is provided to District employees through purchased commercial insurance.

Insurance coverage for fiduciary, petroleum tanks, student accident, student nurse malpractice, and sports injury are provided by commercial insurance.

Settled claims resulting from insurance coverage above have not exceeded purchased insurance coverage for the past three fiscal years.

**ALACHUA COUNTY  
DISTRICT SCHOOL BOARD  
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JUNE 30, 2009**

**18. LITIGATION**

The District is involved in several pending and threatened legal actions. In the opinion of District management, the range of potential loss from all such claims and actions should not materially affect the financial condition of the District.

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 135,000.00	\$ 135,000.00	\$ 185,301.23	\$ 50,301.23
Federal Through State and Local	900,000.00	900,000.00	860,136.12	(39,863.88)
State	116,213,089.00	108,054,418.88	107,961,443.10	(92,975.78)
Local:				
Property Taxes	78,122,449.00	78,122,449.00	78,715,814.95	593,365.95
Miscellaneous	6,281,716.00	6,929,499.34	6,444,091.75	(485,407.59)
<b>Total Revenues</b>	<b>201,652,254.00</b>	<b>194,141,367.22</b>	<b>194,166,787.15</b>	<b>25,419.93</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	116,824,712.04	120,849,287.87	113,462,386.66	7,386,901.21
Pupil Personnel Services	11,658,755.09	12,360,706.61	12,064,942.83	295,763.78
Instructional Media Services	4,898,582.30	5,011,116.64	4,477,929.30	533,187.34
Instruction and Curriculum Development Services	6,559,260.64	6,624,009.32	6,450,281.23	173,728.09
Instructional Staff Training Services	1,555,098.25	2,207,278.26	1,372,231.85	835,046.41
Instruction Related Technology	2,679,237.72	3,149,775.06	2,813,231.65	336,543.41
Board of Education	802,534.85	928,533.14	774,264.50	154,268.64
General Administration	772,432.30	824,204.88	809,463.17	14,741.71
School Administration	12,462,753.44	12,810,287.30	12,659,361.80	150,925.50
Facilities Acquisition and Construction	759,001.78	1,024,625.74	225,159.81	799,465.93
Fiscal Services	1,499,301.22	1,554,422.47	1,533,838.63	20,583.84
Central Services	3,228,017.68	3,517,911.40	3,057,518.82	460,392.58
Pupil Transportation Services	11,912,905.41	11,850,921.75	10,117,397.41	1,733,524.34
Operation of Plant	22,384,659.44	22,946,481.88	21,928,038.18	1,018,443.70
Maintenance of Plant	5,458,213.84	5,654,398.30	5,063,156.16	591,242.14
Administrative Technology Services	1,202,907.35	1,594,360.67	1,532,644.46	61,716.21
Community Services	4,111,655.41	4,176,551.14	3,289,722.89	886,828.25
Fixed Capital Outlay:				
Facilities Acquisition and Construction		103,091.22	103,091.22	
Other Capital Outlay		669,976.73	669,976.73	
<b>Total Expenditures</b>	<b>208,770,028.76</b>	<b>217,857,940.38</b>	<b>202,404,637.30</b>	<b>15,453,303.08</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(7,117,774.76)</b>	<b>(23,716,573.16)</b>	<b>(8,237,850.15)</b>	<b>15,478,723.01</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	7,000,000.00	7,934,659.00	8,628,461.91	693,802.91
Insurance Loss Recoveries		13,757.64	32,585.96	18,828.32
Transfers Out		(89,058.90)	(89,058.90)	
<b>Total Other Financing Sources (Uses)</b>	<b>7,000,000.00</b>	<b>7,859,357.74</b>	<b>8,571,988.97</b>	<b>712,631.23</b>
<b>Net Change in Fund Balances</b>	<b>(117,774.76)</b>	<b>(15,857,215.42)</b>	<b>334,138.82</b>	<b>16,191,354.24</b>
Fund Balances, Beginning	21,445,229.66	21,445,229.66	20,941,075.01	(504,154.65)
<b>Fund Balances, Ending</b>	<b>\$ 21,327,454.90</b>	<b>\$ 5,588,014.24</b>	<b>\$ 21,275,213.83</b>	<b>\$ 15,687,199.59</b>

Special Revenue - Other Federal Programs Fund				Special Revenue - ARRA Economic Stimulus Fund		
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 15,016,971.00	\$ 5,256,056.58 25,450,580.49	\$ 4,529,552.86 18,998,144.45	\$ (726,503.72) (6,452,436.04)	\$ 5,905,725.79	\$ 157,129.60	\$ (5,748,596.19)
15,016,971.00	30,706,637.07	23,527,697.31	(7,178,939.76)	5,905,725.79	157,129.60	(5,748,596.19)
8,396,904.00	15,040,515.19	12,665,841.60	2,374,673.59	3,212,674.00	123,858.27	3,088,815.73
1,226,007.00	2,981,864.12	2,420,903.82	560,960.30	389,742.00	2,445.65	387,296.35
	13,107.23	632.36	12,474.87			
3,224,195.00	4,942,098.19	3,627,946.22	1,314,151.97	645,746.38	11,002.00	634,744.38
1,333,931.00	5,165,923.96	2,588,883.37	2,577,040.59	1,243,094.00		1,243,094.00
	73,273.67	66,570.45	6,703.22			
290,805.00	689,079.86	644,901.95	44,177.91	190,650.00	5,452.34	185,197.66
	6,550.82	6,550.82				
	23,831.11	22,665.65	1,165.46	117,451.79		117,451.79
	250.00	250.00				
77,535.00	299,965.77	201,560.53	98,405.24			
458,202.00	298,842.33	133,859.71	164,982.62	103,635.00	11,638.72	91,996.28
6,700.00	339,277.45	316,673.10	22,604.35			
2,692.00	9,315.17	7,715.53	1,599.64			
	198,956.78	198,956.78				
	623,785.42	623,785.42		2,732.62	2,732.62	
15,016,971.00	30,706,637.07	23,527,697.31	7,178,939.76	5,905,725.79	157,129.60	5,748,596.19
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**ALACHUA COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -  
EARLY RETIREMENT PLAN  
For the Fiscal Year Ended June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B)-(A)	(A)/(B)	(C)	[(B)-(A)]/(C)
7-1-2004	\$ 3,225,711	\$ 3,225,711	\$ 0	100 %	\$ 119,852,403	0 %
7-1-2005	3,501,031	3,501,031		100	127,850,639	
7-1-2006	3,693,492	3,693,492		100	131,487,257	
7-1-2007	3,866,001	3,866,001		100	133,694,225	
7-1-2008	3,350,259	3,350,259		100	134,352,096	
7-1-2009	2,662,525	2,662,525		100	129,623,633	

**ALACHUA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS -**  
**EARLY RETIREMENT PLAN**  
*For the Fiscal Year Ended June 30, 2009*

Year Ended June 30	Annual Required Contribution	Percentage Contribution
2004	\$ 492,355	100 %
2005	551,412	100
2006	579,561	100
2007	527,925	100
2008	518,104	100
2009	741,494	100

**ALACHUA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -**  
**POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**  
**For the Fiscal Year Ended June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B)-(A)	(A)/(B)	(C)	[(B)-(A)]/(C)
3-1-2008	\$ 0	\$ 17,815,000	\$ 17,815,000	0 %	\$ 138,288,000	12.9 %

**ALACHUA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2009**

**1. SCHEDULE OF FUNDING PROGRESS – EARLY RETIREMENT PLAN**

Effective August 1, 2008, the Board amended the Early Retirement Plan to provide that a member must be employed by the Alachua County District School Board for at least 20 years (increased from 5 years) in order to be eligible for benefits.

The cost impact, determined as of July 1, 2008, per the Actuarial Impact Statement, dated March 3, 2009, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution	\$ 741,494	\$ 686,756
Percentage of Total Annual Payroll	0.55 %	0.51 %

The contribution amounts developed in the July 1, 2009, actuarial valuation reflect the changes in the eligibility requirements for retirement set forth in the January 20, 2009, amendments to the applicable Collective Bargaining Agreements and are applicable to the plan year ending June 30, 2010.

The funding requirements developed in the July 1, 2009, actuarial valuation, compared with those set forth in the Actuarial Impact Statement dated March 3, 2009, developed as of July 1, 2008, are as follows:

Valuation Date	<u>7-1-2008</u>	<u>7-1-2009</u>
Applicable Plan Year	6-30-2009	6-30-2010
Total Required Contribution	\$ 686,756	\$ 789,193
Percentage of Total Annual Payroll	0.51 %	0.61 %

As shown in the above table, the required contribution increased in dollar amount and as a percentage of total annual payroll. These increases occurred because the actuarial experience during the 2008-09 fiscal year was less favorable than expected resulting from an investment return that was significantly less than the assumed rate.

**ALACHUA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
JUNE 30, 2009**

Additional significant changes resulting from the plan amendment are as follows:

	Before 7-1-2008	After 7-1-2008
Present Value of Active Members Retirement Benefits	\$ 3,760,097	\$ 3,346,110
Present Value of Future Normal Costs (Entry Age)	1,777,097	1,581,439
Actuarial Present Value of Vested Accrued Benefits - Active Members	398,060	354,234
Decrease in Present Value of Accrued Benefits Attributable to Plan Amendment		(43,826)

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	\$ 602,254.83	\$
Florida Department of Education:				
School Breakfast Program	10.553	321	1,665,465.22	
National School Lunch Program	10.555	300	4,729,227.10	
Summer Food Service Program for Children	10.559	323	101,106.30	
<b>Total Child Nutrition Cluster</b>			<b>7,098,053.45</b>	
Child and Adult Care Food Program	10.558	302	260,337.25	
<b>Total United States Department of Agriculture</b>			<b>7,358,390.70</b>	
<b>United States Department of Defense:</b>				
Direct:				
Navy Junior Reserve Officers Training Corps	12.XXX	N/A	122,479.07	
Air Force Junior Reserve Officers Training Corps	12.XXX	N/A	62,822.16	
<b>Total United States Department of Defense</b>			<b>185,301.23</b>	
<b>United States Department of Labor:</b>				
Indirect:				
Alachua/Bradford Regional Workforce Board:				
WIA - Youth Activities	17.259	None	40,143.92	
<b>National Science Foundation:</b>				
Indirect:				
University of Florida:				
Engineering Grants	47.041	None	11,568.18	
Education and Human Resources	47.076	None	62,246.15	
<b>Total National Science Foundation</b>			<b>73,814.33</b>	
<b>United States Department of Education:</b>				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	5,835,971.33	
Special Education - Preschool Grants	84.173	267	218,011.09	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	157,129.60	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	381,026.00	
<b>Total Special Education Cluster</b>			<b>6,592,138.02</b>	
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	7,834,145.16	
Migrant Education - State Grant Program	84.011	217	884,397.92	
Career and Technical Education - Basic Grants to States	84.048	151, 161	351,270.86	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	106,561.76	
Education for Homeless Children and Youth	84.196	127	57,272.57	
Charter Schools	84.282	298	194,854.88	194,854.88
Twenty-First Century Community Learning Centers	84.287	244	401,099.01	
State Grants for Innovative Programs	84.298	113	34,203.51	
Education Technology State Grants	84.318	121, 122	108,977.78	
Reading First State Grants	84.357	211	472,543.88	
English Language Acquisition Grants	84.365	102	49,918.28	
Improving Teacher Quality State Grants	84.367	224	1,741,780.30	
School Improvement Grants	84.377	126	205,226.20	
<b>Total United States Department of Education</b>			<b>19,034,390.13</b>	<b>194,854.88</b>
<b>United States Department of Health and Human Services:</b>				
Direct:				
Head Start	93.600 (3)	N/A	4,513,985.03	
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	6,925.67	
Florida Commission on Community Service:				
Americorps	94.006	None	15,567.83	
<b>Total Corporation for National and Community Service</b>			<b>22,493.50</b>	
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Division of Emergency Management:				
Hazard Mitigation Grant	97.039 (2)(B)	None	996,474.00	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 32,224,992.84</b>	<b>\$ 194,854.88</b>

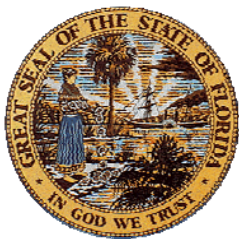
Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement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

(2) Noncash Assistance.

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

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator and the related installation costs.

(3) Head Start. Expenditures include \$680,013.51 for grant number/program year 4CH4194/35 and \$3,833,971.52 for grant number/program year 04CH4194/36.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

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

### Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

### **Compliance and Other Matters**

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

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

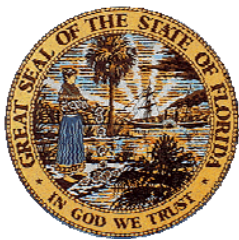
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA  
November 6, 2009



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

### Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

## 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.

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  
November 6, 2009

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

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$966,749
Auditee qualified as low-risk auditee?	Yes

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

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**ADDITIONAL MATTERS**

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**Finding No. 1: Facility Safety Inspections**

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Section 1013.12, Florida Statutes, requires that the Board provide for periodic inspection of each educational and ancillary plant at least once every fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the rules of the State Board of Education. Section 5(1)(a), *State Requirements for Educational Facilities (SREF)*, provides that the required casualty and sanitation inspection reports for all permanent and relocatable buildings shall be submitted to the Board by June 30 of each year; be approved by the Board; and include a plan and a schedule for the correction of each deficiency, including cost estimates. Upon failure of the Board to take corrective action within a reasonable time, the Florida Commissioner of Education may, pursuant to Section 1013.12(4), Florida Statutes, order appropriate action or removal of a facility from use.

District records demonstrated that the required inspections were performed during the 2008-09 fiscal year. The inspection reports for each facility provided information for each of the deficiencies cited, including building and room number, a priority code that indicated the deficiencies' significance, a description and corrective action needed, the estimated costs of correction, the number of times the deficiency was previously cited, and a scheduled correction-not-later-than date. However, our review of inspection reports for 4 of the District's 72 facilities disclosed that approximately 55 percent of the deficiencies, or 456 of 823, cited in the 2008-09 fiscal year report remained uncorrected from the previous year. The inspection reports identified approximately 11 percent of the uncorrected deficiencies from the previous year, or 50 deficiencies, as priority one deficiencies, defined as serious life-safety hazards requiring prompt attention. Twenty-five of the priority one deficiencies had been cited in the reports for two previous years. Examples of the 25 deficiencies included such items as uninstalled heat detectors, faulty or missing emergency lights, obstructed exits, defective exit doors, and improper storage of flammable or combustible liquids.

District staff informed us that the Board routinely budgets \$500,000 to \$700,000 annually to address the safety-related items on the report, and that corrective action is being taken for the cited deficiencies. However, failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy. Similar findings were noted in our report Nos. 2004-206 and 2007-098.

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**Recommendation:**     **The District should continue its efforts to ensure compliance with applicable safety standards.**

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**Finding No. 2: Collection of Social Security Numbers**

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The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity for collecting social security numbers (SSNs) because of their acceptance over time as a unique number 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, causing them financial or other personal

harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that, unless the collection of an individual's SSN is specifically authorized by law or imperative for the performance of the District's duties and responsibilities as prescribed by law, the District may not collect such information without stating in writing its purpose for doing so. This section also 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 and requires that the District review whether its collection of SSNs is in compliance therewith; collection of SSNs for any other purpose should be immediately discontinued. Additionally, this section requires that the District provide the individual, whose SSN was collected, a copy of the written statement indicating the purpose for collecting the SSN.

Prior to our review in March 2009, the District obtained SSNs from applicants for employment and from parents or legal guardians for students, but did not provide those individuals a written statement indicating the purpose for collecting the SSNs. Subsequent to our inquiries, District management developed and furnished us a copy of a written statement indicating the purposes for collecting SSNs, and indicated that all individuals who provide SSNs in the future would sign the statement to confirm the process and receive a copy of this document.

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**Recommendation:** The District should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.

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### **Finding No. 3: Insurance for Charter Schools**

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During the 2008-09 fiscal year, the District sponsored 12 charter schools, and agreements with the schools required them to maintain commercial general liability, automobile liability, workers' compensation, school leaders' errors and omissions, excess/umbrella liability, and property insurance, with specified limits of coverage. Further, the District's Risk Management Office is responsible for monitoring the charter schools' compliance with the insurance requirements; however, we noted instances in which District records did not evidence that the charter school insurance met the minimum requirements, as noted in the following examples:

- The certificates of insurance for six charter schools (Caring and Sharing, Expressions Learning, Genesis Preparatory, Healthy Learning, Micanopy Middle, and Sweetwater Branch) documented that general liability coverage was in effect, but this coverage was not as broad as the commercial general liability coverage required in the charter school agreements. Consequently, District records did not initially evidence that the six schools had commercial general liability coverage for slander and libel personal injury, and advertising injury.
- For Micanopy Area Cooperative Charter School, District records did not initially evidence any of the required insurance coverages at the time of our review in February 2009.
- District records did not initially evidence that the required liability coverage for hired and nonowned automobiles was maintained for the Genesis Preparatory Charter School, nor that workers' compensation insurance was maintained for the One Room School House Charter School.
- District records did not initially specify any limits of coverage for excess/umbrella liability insurance at Florida School for Integrated Academics and Technologies Charter School, although the agreement required per occurrence and aggregate limits of \$1 million and \$2 million, respectively.

Subsequent to our inquiries, the District obtained documentation from the charter schools to evidence the required insurance coverage. Without adequate procedures to monitor the insurance coverage for charter schools, there is an increased risk that such coverage may not be sufficient, subjecting the District to potential losses. A similar finding was noted in our report No. 2007-098.

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**Recommendation:**     **The District should enhance procedures to ensure that its charter schools maintain insurance as required in the charter school agreements.**

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#### **Finding No. 4: Tangible Personal Property**

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Florida Department of Financial Services (DFS) rules and Board policy prescribe the procedures for maintaining accountability of District-owned tangible personal property, as well as information required to be included in the District's records. At June 30, 2009, the District reported furniture, fixtures and equipment, net of accumulated depreciation, totaling \$6.9 million. Our review of compliance with the applicable requirements disclosed the following:

- DFS Rule 69I-73.003(1), Florida Administrative Code, and Board policy require that a complete physical inventory of tangible personal property be taken whenever there is a change in property custodian. Our tests of three schools that had custodian changes disclosed no evidence that the District performed the required inventory procedures for two of the schools tested. In the absence of such procedures, the District may be limited in its ability to fix responsibility for lost property.
- DFS Rule 69I-73.003(3)(c), Florida Administrative Code, and Board policy require that property records contain accurate locations of tangible personal property items. The District initially records a temporary location for new property, and attempts to update the location of the property once its final destination is set. As of March 2009, the District's property records displayed temporary locations for over 2,300 property items, costing approximately \$4.8 million. In our tests, we selected 24 of these items from the property records to observe the property and to determine whether the location listed in the records was valid. Although we eventually found the items, the items were not located in the areas listed in the property records because District personnel did not update the records. Absent records to accurately identify the location of tangible personal property, the District's ability to properly account for and safeguard these assets could be limited.

Similar findings were noted in our report No. 2007-098. Subsequent to our review, District personnel indicated that enhancements would be made in procedures to correct the deficiencies cited above.

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**Recommendation:**     **The District should continue its efforts to ensure that personnel properly conduct inventory procedures when there is a change in property custodian, and that tangible personal property records contain accurate locations of property items as required.**

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#### **Finding No. 5: Policies for Reporting Fraud**

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The District had not developed adequate policies for communicating and reporting known or suspected fraud. Board policies provide that instructional personnel shall comply with the provisions of Florida Department of Education's publications *Code of Ethics of the Education Profession in Florida* and *Principles of Professional Conduct for the Education Profession in Florida*. Board policies further require District staff to report to the Superintendent alleged misconduct by District

employees which affects the health, safety, or welfare of a student. Although these policies address professional conduct, they do not clearly identify actions that constitute fraud, provide reporting procedures for suspected fraud, describe the responsibility for fraud investigation and the consequences for fraudulent behavior, or indicate whether they extend to noninstructional District personnel.

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 for detecting dishonest acts. Subsequent to our inquiries, in September 2009, the Board adopted antifraud and whistleblower protection policies addressing the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting the evidence of such action to the proper authorities, and the procedures to follow to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent.

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**Recommendation:**     **The District should continue its efforts for administering the antifraud and the whistleblower protection policies.**

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**Finding No. 6: Information Technology – Written Policies and Procedures**

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

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

- Administering user identification codes (IDs), including creation, modification, and review of access privileges.
- Removing user access privileges for terminated or transferred employees and consultants or other contractors, including removal of confidential information from consultant or contractor IT equipment.
- Monitoring and reviewing logs for the financial application, network, and network infrastructure components.
- Program change controls for the report writing function within the financial application.

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. 7: Information Technology - Security Awareness**

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A comprehensive security awareness training program reemphasizes to current employees the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District had a *Staff Network and Internet Acceptable Use and Safety* policy that was distributed to new employees, there was no ongoing security awareness training program to facilitate employees' continued education and training on security responsibilities. Additionally, the District did not require all employees to sign annual acknowledgements that they have read, understood, and accepted the security policies. Reemphasizing certain issues in the District's security awareness training program decreases the risk that the

District's IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties.

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**Recommendation:** The District should promote security awareness through ongoing training programs and should require all employees to sign annual acknowledgments that they have read, understood, and accepted the security policies.

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**Finding No. 8: Information Technology – Application Access and User Authentication**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication, logging, and monitoring that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, 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 improve security controls related to application access and user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

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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. The access privileges of 3 of 369 user IDs tested remained active in the financial application from 70 to 499 days after the employees' separation dates. In response to audit inquiry, District management removed the application IDs for two of the former employees, and indicated that the remaining application IDs would be removed. Without timely removal 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 strengthen its controls related to the removal of access privileges for former employees including, as discussed in Finding No. 6, establishing written policies and procedures to govern the removal of access privileges.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

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**MANAGEMENT'S RESPONSE**

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Management's response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Purvis, Gray and Company, LLP		No prior Federal audit findings.		

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**

**BOARD MEMBERS**

Virginia S. Childs  
F. Wesley Eubank  
Tina Pinkoson  
Eileen F. Roy  
Barbara Sharpe

**SUPERINTENDENT OF SCHOOLS**

W. Daniel Boyd, Jr., Ed.D.



Kirby-Smith Administration Center  
620 East University Avenue  
Gainesville, Florida 32601-5498  
www.sbacs.edu  
(352) 955-7300  
Fax (352) 955-6700  
Suncom 625-7300  
Suncom Fax 625-6700

October 28, 2009

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

Re: Response to Preliminary and Tentative Audit Findings

Dear Mr. Martin:

Following is our response to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2009:

Finding No. 1: Facility Safety Inspections

The District will continue its efforts to ensure compliance with applicable safety standards.

Finding No. 2: Collection of Social Security Numbers

The District will continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.

Finding No. 3: Insurance for Charter Schools

The District will enhance procedures to ensure that its charter schools maintain insurance as required in the charter school agreements.

Finding No. 4: Tangible Personal Property

The District will continue its efforts to ensure that personnel properly conduct inventory procedures when there is a change in property custodian, and that tangible personal property records contain accurate locations of property items as required.

Finding No. 5: Policies for Reporting Fraud

The District will continue its efforts for administering the anti-fraud and the whistleblower protection policies.

Finding No. 6: Information Technology – Written Policies and Procedures

The District will establish written policies and procedures to document management's expectations for the performance of the listed IT functions.

Finding No. 7: Information Technology - Security Awareness

The District will promote security awareness through ongoing training programs and will require all employees to sign annual acknowledgments that they have read, understood, and accepted the security policies.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

Page 2  
October 28, 2009

Finding No. 8: Information Technology – Application Access and User Authentication

The District will continue to improve security controls related to application access and user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

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

The District will strengthen its controls related to the removal of access privileges for former employees including, as discussed in Finding No. 6, establishing written policies and procedures to govern the removal of access privileges.

We appreciate the opportunity to respond to these findings. After reviewing our response, please advise me if you need further clarification or action on our part.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. Daniel Boyd, Jr.", is positioned above the printed name.

W. Daniel Boyd, Jr., Ed.D.  
Superintendent